Austria ... Sch. 15	Indonesia ... Rp 2500	Portugal ... Esc 65
Bahrain ... Din 0.650	Italy ... L 1100	S. Arabia ... Rls 6.00
Belgium ... BFr. 35	Japan ... Y 650	Singapore ... S$ 4.10
Canada ... C$2.00	Jordan ... Fils 500	Spain ... Pts 95
Cyprus ... Mils 800	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark ... DKr 7.00	Lebanon ... L 6.00	Sweden ... Skr 6.50
Egypt ... E£1.00	Luxembourg ... LFr 35	Switzerland ... SwFr 2
Finland ... Fmk 5.50	Malaysia ... Rm 4.25	Taiwan ... NT$ 35
France ... FFr 5.50	Mexico ... Pes. 350	Tunisia ... Din 0.600
Germany ... DM 2.00	Morocco ... Dh 6.00	Turkey ... L 190
Greece ... Dr 60	Netherlands ... Fl 2.25	U.A.E. ... Dh 6.50
Hong Kong ... HK$ 12	Norway ... Kr 8.00	U.S.A. ... $1.50
India ... Rup 15	Philippines ... Pes. 20	

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Northern Ireland: trapped in a theatre of violence, Page 11

NEWS SUMMARY

GENERAL

IRA 'will not repeat bombing'

The Irish Republican Army said there would be no repetition of the bombing that killed five people and injured 91 outside Harrods department store in London on Saturday.

The IRA admitted that its "volunteers" had planted the Harrods bomb and a recent one at an army barracks in south-east London, but claimed that the Harrods explosion was not authorised by the IRA army council and that "immediate steps" had been taken to ensure there would be "no repetition of this type of operation."

The British and Irish Governments, meanwhile, were under pressure to ban Sinn Fein, the political wing of the IRA. Page 12

French promotion

Socialist deputy Roland Dumas, longtime associate of President François Mitterrand, was appointed France's Minister for European Affairs, replacing M André Chandernagor, now president of the Cour de Comptes. Page 12

Arrests in Kuwait

Ten Moslem fundamentalists, seven of them Iraqis and three Lebanese, have been arrested in Kuwait in connection with last week's bombings that killed at least six people. Page 2

Kidnappers cut ear

Kidnappers of Italian jewellery store heir Giorgio Calissoni, 17, sent an ear to the family, saying that it was the boy's and that he and his mother would be killed if their ransom demands were not met.

Italian sailors die

At least 34 Italian sailors travelling from La Spezia to watch a football match in Turin were killed when their bus plunged from a viaduct.

Madrid toll 83

A 24-year-old woman died yesterday, bringing the number of deaths from the Madrid discotheque fire to 83. Amid calls for stricter safety standards in Spain, four of the disco's owners were questioned by a magistrate.

Moscow shake-up

Moscow police's criminal investigation department is being given a shake-up by its new chief to improve its efficiency and its public image.

Nicosia shooting

A young Greek Cypriot national guardsman on duty on the "green line" separating Greek and Turkish sectors in Nicosia, the Cyprus capital, was shot dead from the Turkish positions.

Report upsets pilots

The world airline pilots' federation says the International Civil Aviation report suggesting that the crew of the shot-down South Korean jet lacked alertness is based on an unfair assumption. Page 2

Plague in Tanzania

Plague has killed 19 people in northern Tanzania. Total quarantine has been imposed in the area.

Athletes' life ban

International Amateur Athletic Federation banned for life eight athletes, three of them women, for failing or refusing drug tests. It will increase random checks, and world records will not be recognised if the athlete does not pass an immediate test.

Waterloo line end?

A Belgian senator will today try to end the BFr 100,000 ($2,000)-a-year pension paid by the Belgian Government to the heirs of the Duke of Wellington, victor of the Battle of Waterloo.

BUSINESS

Argentina to explain debt position

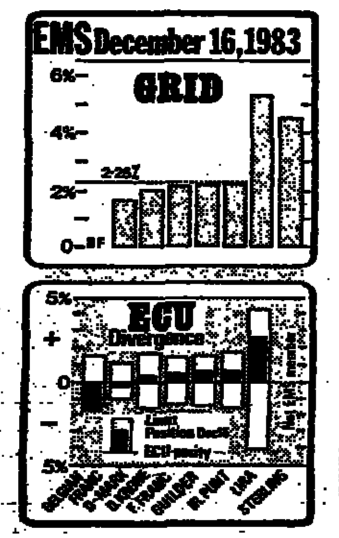
● **ARGENTINA's** central bank governor, Sr Enrique Vázquez, is visiting the U.S. for talks with creditors to clarify his Government's position over its $40bn foreign debts. He will seek to underpin a new rescheduling deal with a new agreement with the IMF. Page 12

● **BRAZIL** has brought its foreign debt interest arrears below the critical 90-day level that would have brought 1983 balance-sheet problems for U.S. banks. Page 2

● **CHILE** has revised its sliding-scale exchange rate to provide a slower decline in the value of its peso against the dollar. Page 2

● **ITALY** has eased its foreign-exchange regulations to make exporting easier and to allow countries to invest abroad more freely. Page 3

● **THE RELATIONSHIP** between the D-Mark and the French franc was the subject of wide interest in the European Monetary System last week.



Heavy intervention by the Bundesbank to support the D-Mark against the strong dollar was not matched by other European central banks. Although the bank failed to prevent the D-Mark from falling to just short of a 10-year low against the dollar, its action in the market pushed the German currency up within the EMS and tended to depress the French franc.

That was not regarded as the first signs of an imminent realignment, however.

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

● **TEXTILES:** President Reagan has bowed to pressure from the U.S. industry by bringing in regulations expected to check imports from Hong Kong, Taiwan and Japan. Page 3

● **JOHNSON MATTHEY** Bankers has been awarded £1.13m ($1.6m) damages in the UK High Court against State Trading Corporation of India after an Indian Government decision preventing the corporation from fulfilling 36 contracts to sell silver. Page 5

● **GENERAL MOTORS** is to sell in the U.S. heavy lorries made by Isuzu of Japan, in which it has a 34 per cent stake. Page 3

● **EMBRAER,** the Brazilian state-owned aircraft maker, has won its largest export order, worth $181m, for 120 military training aircraft for Egypt. Page 3

● **SWISS BANKERS** are to set up a fund to compensate depositors in the event of bank failures. Page 14

● **ELF UK,** subsidiary of French state-owned Elf Aquitaine, plans to borrow £500m ($710m) to finance development of the Alwyn North oilfield. Page 2

Philips links with European banks to take over Grundig

BY WALTER ELLIS IN AMSTERDAM

Philips, the Dutch electrical group, has joined a consortium of European banks to take over Grundig of West Germany. Dr Max Grundig, aged 75, chairman of Grundig, will retire from active management of his company next April 1.

He will become head of a new supervisory board, leaving Philips to assume day-to-day control of its affairs from that date.

Philips is to increase its participation in the privately owned Grundig – at present 24.5 per cent of equity – but the final extent of its holding is subject to continuing negotiations. It is not known what role is to be played by the consortium of banks, which have not been named.

A limited liability company is to be formed, to be called the Grundig Elektro-Mechanische Versuchs Anstalt Max Grundig and Company. The West German Federal Cartel Office in Berlin has yet to approve the deal, but it is understood that the form of the takeover, involving banks, as well as Philips, will help to dampen fears that the Dutch multinational is acquiring too great a share of the European electronics industry.

The Cartel Office has already once year rejected an attempt by Philips to mount a straightforward takeover of Grundig, which makes audio and hi-fi equipment as well as video cassette recorders. It even prevented Philips from acquiring a full 25 per cent holding, on the basis that that would, under German law, permit a veto on other potential takeovers.

In practical terms, however, the veto has already been attained, and Philips exercised its blocking powers earlier in the year when Thomson-Brandt of France made a bid of its own for Grundig.

Over the last three years, Grundig has collaborated with Philips on production of the Dutch company's V2000 VCR system, which competes in Europe with the world-leading Japanese VHS format recorders. Philips recently decided to design and market its own VHS recorders for sale outside Europe, under licence from Japan, and will collaborate with Grundig on the project.

John Davies writes from Frankfurt: Grundig confirmed plans to yield management control to Philips on April 1, but avoided any reference to a change in shareholding or to the financial arrangements involved.

There has been speculation in West Germany that Philips will make a cash payment to Dr Grundig of DM 150m ($54m) for his services as a lifetime adviser, that his family trust will receive a guaranteed dividend for 25 years and that Philips will pump in DM 250m through a convertible loan to strengthen the Grundig concern.

Our Financial Staff writes: on sales said to be in excess of DM 3bn ($1.1bn) – against Fl 43bn ($15bn) for Philips in 1982 – Grundig moved back to an unquantified profit in the year to March 1983. It lost DM 35m in the previous year after a 1980–82 deficit of DM 187m.

France and UK propose reciprocal telecom trade

BY GUY DE JONQUIERES IN LONDON AND DAVID MARSH IN PARIS

BRITAIN and France are in advanced talks on proposals that might lead to an agreement between the two countries to open their telecommunications markets to each others' manufacturers.

The talks, which stem from a French initiative, focus primarily on reciprocal purchases of Britain's System X and France's E-10 digital public telephone exchanges. It has been proposed that each country might buy between 10 and 20 per cent of its total needs from the other.

France, which sees the proposals as an important step towards wider European industrial co-operation, is pressing for a decision by the middle of next year at the latest. Lack of enthusiasm by British Telecom may pose a large obstacle, however.

Although its French counterpart, the Direction Générale de Télécommunications (DGT) has indicated that it would be ready to buy System X, BT has severe reservations about accepting E-10. They are based both on its technical evaluation of the French exchange and on the fact that its recently accelerated orders for System X are likely to meet its needs at least until 1986.

BT has indicated that it might seek an alternative to System X in the future, but wants to be free to select one on technical merit. The front runner is widely thought to be the AXE system developed by Sweden's L. M. Ericsson.

Although the British Government is sympathetic to the French proposals, it has been unwilling so far to press BT to agree. The Government appears reluctant to challenge BT's commercial independence when it is being prepared for privatisation next year.

The talks, which also involve Plessey and GEC, the joint manufacturers of System X, and CIT-Alcatel, which makes the E-10, have been going on in earnest since the summit meeting between Mrs Thatcher and President Mitterrand in London in October.

Officials of BT and the DGT have met twice since then, discussing proposals for joint research and industrial collaboration in satellites and optical-fibre transmission systems.

Plessey and CIT-Alcatel discussed joint development of a digital exchange, code-named Felicité, in the early 1970s. But the project was abandoned for lack of support from British and French telecommunications authorities.

The British and French public exchange markets are largely closed to outside suppliers. However, France began seeking reciprocal trade agreements in telecommunications in September, when CIT-Alcatel agreed to take over the loss-making telecommunications interests of Thomson.

The DGT accepted the reorganisation reluctantly, and has insisted on opening part of its market to foreign suppliers on a reciprocal basis to provide competition for CIT-Alcatel.

Last month, France and West Germany agreed to collaborate in setting up a cellular mobile radio-telephone system, for which equipment will be supplied by manufacturers in both countries.

Nigeria seeks to reschedule $5bn trade payment arrears

BY QUENTIN PEEL AND ANDREW GOWERS IN LONDON

A TEAM of top Nigerian officials will this week submit formal proposals to leading British exporters and the British Export Credits Guarantee Department for rescheduling or refinancing their share of the country's estimated $4bn to $5bn arrears on trade payments.

The proposals mark the first step towards negotiating a comprehensive package with all Nigeria's principal suppliers and the leading export credit agencies on repayment of the arrears over an extended period.

The Nigerian Government is hoping for a repayment period of up to six years, with a grace period of between two and three years, according to bankers and businessmen involved in initial discussions in recent weeks.

The proposals are expected to involve two separate deals on similar terms, one for uninsured debt and the other for the arrears insured by the export credit agencies such as the UK's ECGD, France's Coface and Hermes of West Germany.

The former would be dealt with by raising a jumbo loan from commercial banks with an export credit guarantee, effectively refinancing the arrears without raising the banks' exposure to Nigeria, thanks to the guarantee.

The uninsured arrears – which are thought to amount to at least 50 per cent of the total outstanding – would be met by an issue of discountable promissory notes issued by the Central Bank of Nigeria, according to bankers and officials.

The notes would earn a commercial rate of interest and could be renegotiated by the exporter with commercial banks, if the banks were willing to buy more Nigerian paper.

Negotiations on how to deal with the backlog are expected to last for several weeks, if not months, with all parties to the talks urgently trying to identify the scale of the problem, as well as the most appropriate method of refinancing.

It is now widely accepted that some form of delayed payment by Nigeria is inevitable, given the huge size of the backlog, and a continuing deficit on the current account of the balance of payments.

The ECGD, which is the export credit agency with the largest exposure estimated at upwards of £1.5bn ($2.13bn), reflecting Britain's position as Nigeria's leading supplier, has asked the top 100 exporters to submit estimates of their insured trade with Nigeria by today. The questionnaire asks for details of goods not yet shipped, as well as those where payments are already in arrears.

One estimate puts the number of separate bills involved in the backlog at 60,000, and bankers describe as "horrendous," the task of co-ordinating the entire operation.

This week's talks will involve only the top 15 British companies, including principal trading houses such as Unilever's UAC, and the Manchester-based Paterson Zochonis.

Ivory Coast to seek debt rescheduling, Page 2

Israelis shell PLO positions on eve of evacuation

By David Lennon in Tel Aviv and Patrick Cockburn in Beirut

ISRAELI gunboats shelled Palestine Liberation Organisation positions in the port of Tripoli and north of the city yesterday, on the eve of the evacuation of the forces of Mr Yassir Arafat, the besieged PLO chairman.

Further south, U.S. warships bombarded Syrian anti-aircraft positions after two overflying U.S. reconnaisance aircraft were fired on.

The U.S. bombardment puts strain on the three-day-old ceasefire and hopes for the early resumption of reconciliation talks between the Lebanese Government and its opponents. In the past, Syria and its allies have responded to such attacks by shelling the U.S. marines at Beirut airport.

Israeli bombardment of Mr Arafat's forces was the third in less than two weeks, and may again delay the evacuation of his 4,000 fighters on Greek ships flying the United Nations flag.

A number of Israeli ministers have said Mr Arafat should not be allowed to leave Tripoli alive. Others have expressed support for the idea of harassing his forces and delaying his departure so as to intensify the fighting between the PLO factions.

A senior government official said after yesterday's Cabinet meeting that the naval bombardment "should be seen in the context of Israel's ongoing war against the PLO."

Israel is upset at the international attention which Mr Arafat is receiving. Mr Dan Meridor, the Cabinet secretary, said "Israel objects to the United Nations or any civilised country aiding these terrorists to move from one place to another."

Over the weekend, Professor Moshe Arens, the Defence Minister suggested that Western nations willing to help the loyalist PLO forces to leave Tripoli should at least extract a price by demanding that the PLO lay down its arms and abandon terrorism.

The foreign ministers of Lebanon, Syria and Saudi Arabia met yesterday in Damascus to discuss the next session of the national reconciliation talks and the future of Lebanon's May 17 agreement with Israel.

In Switzerland a Lebanese official was quoted as saying no talks were likely to reconvene before January 9.

Continued on Page 12

Tanaka's poll success blow to Nakasone

BY JUREK MARTIN IN TOKYO

THE POLITICAL fortunes of Mr Yasuhiro Nakasone, the Japanese Prime Minister, took a distinct turn for the worse yesterday in the Japanese general election, while those of the country's disgraced former leader, Mr Kakuei Tanaka, soared.

When counting was completed for the night with winners declared or projected in about 360 of the 511 Diet seat contests and with the results in the main conurbations of Tokyo, Yokohama and Osaka to be announced today, the ruling Liberal-Democratic Party (LDP) had apparently lost 27 seats, according to NHK, the national television network. It held 286 seats in the old parliament.

The party can still count on the support of at least seven of the 11 independents returned yesterday, perhaps to be supplemented later, and may be able to reach agreement with some of the smaller splinter parties of the middle.

It is thus likely to form the next government, as it did between 1976 and 1980 when its parliamentary representation fell below 250 seats. However, the Opposition may try to induce some elements of the LDP to form a hitherto untried coalition.

But if the results in the biggest cities conform to yesterday's pattern, then the LDP will have incurred a setbak much worse than it and most public opinion polls had expected. As party leader, Mr Nakasone will be expected to take responsibility for the fact that the LDP has probably lost its absolute control over all the standing parliamentary committees and, conceivably, its overall majority in the Diet.

Even Mr Susumu Mikaido, the party's secretary general, conceded last night that it might be difficult to control as many as 265 seats. Another party leader, interviewed later in the evening, suggested that 260 was the probable effective maximum.

But the political waters were muddied by the startling personal success of Mr Tanaka and by the fact that the LDP faction beholden to him was doing far better yesterday than any other LDP bloc.

Mr Tanaka was overwhelmingly re-elected by his Niigata constituency for the 15th time. He polled 220,000 votes, more than half as many again as the 138,000 he received in 1980 and almost as much as his eight opponents combined. That demonstrates his mesmeric

Continued on Page 12

Peugeot compromise over redundancies

BY DAVID HOUSEGO IN PARIS

PEUGEOT, the French private car maker, has cancelled its plans to shut down indefinitely today its Talbot car plant at Poissy outside Paris. This followed a compromise agreement with the Government at the weekend under which Peugeot will keep on 1,000 of the 2,900 people at the factory due to be made redundant.

The agreement, announced by M Pierre Mauroy, the Prime Minister, is seen by the Socialist administration as an important precedent in limiting the unemployment caused by large-scale industrial restructuring.

M Mauroy said it provided an example for other sectors such as steel, coal and shipbuilding of combining rationalisation with "human" treatment of unemployment.

The compromise includes an arrangement for sharing the cost between the company and the Government of employing the 1,000 workers whom Peugeot wanted to declare redundant.

Peugeot, which is expected to lose a further FFr 2bn ($238m) this year, yesterday declined to spell out the financial consequences of the deal, but said it was "the best in the circumstances."

The alternative for Peugeot was that the Government would continue to withhold approval for the company's plans, announced last summer, for laying off 7,500 workers throughout the whole group.

Production will not resume at Poissy until January 2 because of a temporary shutdown over the Christmas period. At the same time, a fresh dispute unexpectedly erupted when the Communist-led CGT union, the largest at the plant, accused the management of refusing

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OVERSEAS NEWS

Ivory coast to seek rescheduling of debt

By Peter Blackburn in Abidjan

THE IVORY COAST is to seek *rescheduling of its estimated* $1.25bn (£88m) medium-term public external debt payments due in 1984, according to financial circles in Abidjan.

Ivorian economy and finance minister Abdoulaye Kone called in bankers on Saturday to announce that the Government had telexed official creditors belonging to the Paris Club as well as private commercial creditors asking to reschedule debt falling due during the 13-month period ending December 31 1984.

Negotiations with commercial creditors are planned to start in London on December 22. *The Ivorian delegation* will be led by Maurice Seri Gnoleba, Minister of State.

The Ivory Coast, long regarded as one of Africa's outstanding economic success stories, has suffered a series of setbacks during the past three years, culminating in this year's drought.

Now it is confronted with maturities on loans contracted during the cocoa and coffee boom of the mid-970s.

With an external debt estimated at over $7bn, the Ivory Coast has become one of the world's most heavily indebted countries in per capita terms.

Debt servicing is expected to rise to $1.25bn in 1984 and absorb some 45 per cent of export earnings. The Government is proposing to maintain regular interest payments to commercial creditors and reschedule only the principal due.

But it intends to reschedule both interest and principal due to Paris Club members. The Government also intends to continue interest and principal payments on short-term debt of less than one year. It has requested banks to maintain short-term credit lines to Ivoiran public and private borrowers.

In addition, the Government has appealed to the international financial community for further funds to finance an economic restructuring programme in 1984, aimed at restoring external and internal financial equilibrium.

Representatives of the IMF, World Bank and France's Caisse Centrale de Cooperation Economique are understood to have expressed their continued and increased support for the Ivory Coast at Saturday's meeting.

Brazil reduces interest arrears below 90 days

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

BRAZIL has managed to bring interest arrears on its foreign debt below the critical 90-day level which would have sparked off accounting problems for U.S. banks in their 1983 balance sheets.

Bankers in New York said over the weekend that interest payments due up to early October have been brought up to date. Without this, U.S. banks would have had to classify Brazilian loans as "non-performing" in their balance sheets, reducing earnings for the current year.

However, there is still pressure on Brazil to conclude its $6.5bn credit from commercial banks by the end of the year, *partly to enable it to draw $3bn* before the year-end to eliminate arrears completely and boost reserves.

Both these objectives are in Brazil's economic programme with the International Monetary Fund. Bankers in New York say they are still working on the basis that Brazil will be able to draw on its $6.5bn credit before the end of the year, although signature may not take place till after Christmas.

Legal contracts for the loan are to be sent to creditor banks very soon. The only obstacle to completion then will be the collection of subscriptions from banks that are not yet committed to the loan.

These subscriptions now amount to less than $300m, and additional ones were expected to flow in from the Middle East following the visit there last week by Prof Antonio Delfim Netto, the country's Planning Minister.

New Chile exchange rate system

BY MARY HELEN SPOONER IN SANTIAGO

CHILE HAS revised its exchange rate system to provide for a *slower decline of the* peso against the U.S. dollar, as part of a new package of economic measures announced by Sr Carlos Caceres, Finance Minister, on Friday night.

The old exchange rate provided for a sliding devaluation in accordance with Chile's consumer price *inflation*. The new system ties the peso-dollar value *to the* Central Bank's economic index, minus international inflation.

As a result, the Chilean peso, which had been hovering at about 87 to the dollar and then devalued by 1 to 2 per cent each month will deteriorate in value more slowly. The measure is expected to help reduce inflation, which registered 22.3 per cent during the first 11 months of this year.

Sr Caceres also announced that Chilean import duties, which had been temporarily raised earlier this year from 10 to 20 per cent on most goods, would remain indefinitely at 20 per cent. Other measures include salary reductions of up to 15 per cent for state company executives and a rescheduling of Central Bank debts for Chilean financial institutions. This last measure will allow Chilean banks to transport their portfolios of high-risk loans to the Central Bank in exchange for additional funds of up to 1½ times their capital.

Key vote for Spanish Communists

THE SPANISH Communist Party was voting last night on a new leadership after a sharp power struggle over ideology and tactics at a five-day congress, Reuter reports from Madrid.

Sr Gerardo Iglesias, the Secretary General and an advocate of a more open and democratic party tied to moderate policies, seemed to have a *slight edge over supporters* of Sr Santiago Carrillo, the former leader, who are demanding a shift to the left and a return to more pro-Moscow positions.

Delegates said the margin could be so slim that Sr Iglesias might succeed only in heading off the challenge and not in holding on to his job.

The 809 delegates were electing 95 members to the party's policy-making central committee which would choose the leader.

Sr Carrillo, 68, counted himself out of the contest but said he would openly back a rival to Sr Iglesias who he picked as his successor

Elf UK set to arrange £500m credit line

BY IAN HARGREAVES IN LONDON

ELF UK, the subsidiary of the state-controlled Elf Aquitaine of France, plans to arrange £500m ($710m) of bank borrowings in the course of the next year.

The company, which surprised London business circles two weeks ago by floating a £40m medium-term corporate bond, will need the cash to finance development of the Alwyn North oilfield.

Mr Arnaud Rousseau, managing director of Elf UK, said the company had been told by its parent that its UK activities should be financed without recourse to guarantees from Elf Aquitaine.

In practice, that meant borrowing against Elf UK's own balance sheet, against the security of Alwyn North itself or a mixture of the two. Agreements would need to be in place by the end of next year.

Alwyn North, a geologically complex series of oil-bearing formations in the northern sector of the UK North Sea, will cost Elf £1.5bn to develop. The company owns 66.7 per cent of the field, with Total as a minority partner.

Mr Rousseau said that apart from the bond and the bank loans, the remainder of the finance would come from Elf UK's own cash flow, generated chiefly from gas sales from the UK Frigg field, of which Elf owns 66 per cent.

The prospectus for the bond issue shows the company's cash flow ranging between £278m in 1984 and £221m in 1987, the year before Alwyn North is expected to start production.

Mr Roisseau said that Elf UK would not be paying any dividend to its parent company this year, having paid a total of £253m in 1981 and 1982.

Elf UK's borrowing and dividend strategy represents clear confirmation of the dramatic changes of recent months, culminating in the decision in September to call off the planned sale of 20 per cent to 25 per cent of Alwyn North to the German Deminex group.

Chemical weapons talks set to continue

By Bridget Bloom, Defence Correspondent

The U.S. and the Soviet Union are expected to resume negotiations on banning chemical weapons despite the disruption of all other major arms control talks.

Mr Louis Fields, the U.S. Ambassador to the Geneva-based United Nations Committee on Disarmament, said in London at the weekend that he expected all members of the key working group on chemical weapons to resume *sessions as planned on January 16.*

The working group, which comprises the U.S., the USSR and representatives of the 38 other members of the Committee on Disarmament, is attempting to negotiate a convention banning the manufacture and stockpiling of all chemical weapons. Their use is also prohibited under a *1925 convention.*

The group ended its last session in August. According to Ambassador Fields, some progress was achieved, particularly on clarifying the differences between Moscow and Washington *on the* verification of any future agreement.

There have been suggestions that the Soviet Union might decide to withdraw from these negotiations, in continuing protest against the U.S. deployment of new nuclear missiles in Europe.

Last month, the Soviet Union walked out of the INF Euromissile talks in Geneva and has subsequently refused to set a date for the resumption of the start talks on strategic nuclear weapons, as well as for the Mutual and Balance Force Reduction talks (MBFR) which are aimed at limiting non-nuclear forces in Europe.

However, Mr Fields said that in recent conversations Mr Viktor Issraelyan, his Soviet counterpart at the Committee on Disarmament, had confirmed that he would return to Geneva in January.

He still believed that the Soviet Union was interested in achieving agreement on chemical weapons, Mr Fields said. He acknowledged that the two sides were still far apart, but said Moscow had moved towards accepting some form of international on-site inspection. This could lead to progress in negotiations, he said.

The Committee on Disarmament meets for two sessions of ten weeks a year. In November, during the recess, the U.S. invited delegates to visit the U.S. army's prototype plant in Tooele, Utah, which destroys chemical weapons and storage containers filled with mustard or nerve gas.

Some 28 of the 40 countries sent representatives, including China. However, the only east bloc country to participate was Romania.

Search resumes for Cockerill Sambre restructuring plan

BY PAUL CHEESERIGHT IN BRUSSELS

THE Belgian Government today resumes its search for a constitutional formula which will permit it to finance the restructuring of Cockerill Sambre, the ailing state steel group, at a cost of BFr 27bn (£337m).

A special committee of ministers will:

- Consider how to get around a ruling from the Council of State, the constitutional watchdog, to the effect that a regional financing plan embracing Cockerill Sambre could be inequitable and:
- Hear the latest reports on the state of negotiations with Luxembourg for a greater degree of co-operation between Cockerill Sambre and Arbed that involves both sides closing steel plants.

The discussions take place as the Government's room for manoeuvre becomes more and more constricted.

Some BFr 10bn of bank loans are needed to start restructuring at Cockerill Sambre within the next two months, but these loans are unlikely to be forthcoming unless the financing plan for the steel group is embodied in the law. Negotiations between the Government and the banks are in their final stage.

At the same time, the Government cannot work out with Cockerill Sambre unions and employees either a plan for a reduction in the workforce of 8,000—a third of the total—or to create new employment unless it is established which plants are to be closed.

The negotiations with Arbed are crucial to the restructuring plan of Cockerill Sambre that has to be presented to the EEC, with the means to achieve it, by January 31.

The Government wants to have a referendum of the Cockerill Sambre workforce on the restructuring either run by the unions or, failing that, by itself but negotiations with the unions have scarcely advanced.

The latest problem came when the Council of State decided that the way in which the Government wanted to refinance Cockerill Sambre could only be achieved if it won a two-thirds majority in Parliament for the plan.

This was because the plan would *mean* a change to the constitutional reforms passed in 1980.

The Government is now looking at ideas which would mean providing finance for Cockerill Sambre on a year-to-year basis through the budget.

But, even within Government circles, there are serious doubts about whether the banks would be prepared to advance loans on the basis of a financing system *which did not remove Cockerill* Sambre *from the* cockpit of political rivalry between the main Belgian regions.

Row erupts in Zimbabwe over maize hoarding claims

BY OUR HARARE CORRESPONDENT

THERE IS growing speculation in Zimbabwe that Mr Denis Norman, the Minister of Agriculture and leading white member of the Government, may be forced to quit over the politically explosive issue of a shortage of maize meal, the staple food of the bulk of the population.

Accusations that the leading milling companies have deliberately created the current shortage have led to the growing rift in the Zimbabwe Government.

Mr Robert Mugabe, the Prime Minister, repeated the charge three times in the past week, in spite of public statements exonerating the millers by both Mr Norman and Dr Simba Makoni, the Minister of Industry and Energy Development.

Mr Norman, a former president of the Commercial Farmers' Union who became a member of the Government at independence in 1980, said in Parliament that five Ministers had investigated the situation, and "there was no, I repeat no, evidence of hoarding or malpractice by the millers, wholesalers or retailers."

But in a clearcut repudiation of Mr Norman's statement, *the Prime Minister* told a party meeting last week that he believed the millers were behind the maize shortage. He was quoted by the national news agency as saying: "I will never believe the story that the shortage was caused by so many people buying maize meal or that some meal was going to Mozambique or Botswana.

He went on to accuse "white-owned companies" of talking of a shortage of sugar, but there was "heaps and heaps of sugar" in the country, some of which was being used to manufacture petrol.

Korean jet report 'unfair'

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE WORLD'S airline pilots are dissatisfied with the conclusions drawn by the International Civil Aviation Organisation (ICAO) over why the Korean Air Lines' Jumbo jet was shot down by Soviet fighters last September 1.

A report by the ICAO investigating team, issued last week, suggested that the Jumbo jet's crew made errors in feeding information into their on-board navigational computer, which caused the aircraft to fly well to the north of its proper course, across Soviet airspace.

The ICAO report suggested that this meant a "considerable degree of lack of alertness and attentiveness on the part of the entire flight crew" of the Jumbo jet.

This interpretation is vigorously disputed by the International Federation of Air Line Pilots' Association (Ifalpa), which claims that the ICAO allegation is based on an unfair assumption.

The Federation says, however, that it does not at this stage intend to reintroduce its ban on all flights to and from Moscow, originally imposed in September

Kuwait says Iraqi group caused bomb attacks

By Kathleen Evans in Dubai

SENIOR OFFICIALS in Kuwait say their investigation into last week's wave of bomb attacks has revealed a conspiracy involving 12 members of the underground Al Dawa Party. The Dawa Party is an Islamic fundamentalist group dedicated to the overthrow of Mr Saddam Hussein, the Iraqi president, and the establishment of religious rule in Iraq.

Speaking after a weekly cabinet meeting, Mr Abdul Aziz al Hussein, minister of state for cabinet affairs, said 10 men had been arrested, seven Iraqis and three Lebanese. Another Iraqi national remained at large, while the last member died in the truck bomb explosion at the U.S. embassy.

Responsibility for last week's bombings had previously been claimed by the Islamic Jihad organisation, which also claimed it had carried out October's truck bombings at U.S. and French peace-keeping forces' headquarters in Beirut.

The Dawa Party has been particularly active in Baghdad in the past year and has claimed responsibility for several car-bomb explosions.

Alarmingly for Kuwait, all those arrested were resident in the country. The Kuwaiti minister declined to reveal how long they had been in the state or what kind of work they did. There have already been calls for a tighter immigration policy in Kuwait in the wake of the attacks.

Dr Ali Shams Ardekani, the Iranian Ambassador in Kuwait, denied that the Dawa Party was financed by the Iranian Government. "That is a big lie. The Dawa Party has existed years before the Islamic Revolution in Iran. The Dawa Party is an Iraqi party organised by Iraqis," he said.

However, the Iranian official confirmed that the Dawa Party maintained an office in Tehran. "Anyone who is against Saddam Hussein is welcome in Tehran," added Dr Ardekani.

Iran's GNP grew 15% in 1982-83

Iran's economy grew by 15 per cent in the year 1982-83, reversing part of the steep decline in economic activity since the 1979 Islamic revolution, Prime Minister Mir-Hussein Moussavi was quoted as saying, Reuter reports from Tehran.

The national news agency IRNA said he told spiritual leader Ayatollah Khomeini that gross national product had risen by 15 per cent during the Iranian Islamic year 1361, which ended March 20, 1983.

Seaga to nominate 'opposition' senators

Mr Edward Seaga, the Prime Minister of Jamaica, is to name *the eight senators traditionally* nominated by the opposition leader, as part of an attempt to compensate for the absence of a parliamentary opposition, Canute James reports from Kingston.

Speaking after being sworn in for a second consecutive term as Prime Minister, Mr Seaga said the senators he would name would not be affiliated to his ruling Labour Party.

The party took all 60 seats in the House of Representatives in elections last week, after the opposition Peoples National Party, led by Mr Michael Manley, refused to take part.

Algerian party likely to agree economy reforms

By Francis Ghiles, recently in Algiers

THE FIFTH congress of Algeria's ruling Front de Liberation National (FLN) party, *which is being attended* by 4,000 delegates, will be opened today by President Chadli Bendjedid. The congress is expected to endorse the many changes in managing Algeria's economy brought in by President Chadli who is nearing the end of his five-year term of office.

Thousands of meetings held at district and provincial level since last spring have witnessed very lively discussions about how far Algeria should liberalise the running of its economy. M Chadli's term of office has seen a sweeping reappraisal of the economic strategy of his predecessor, Houari Boumediene who ruled the country from 1965 to 1978 and a break-up of some of the more powerful state companies which dominate the economy.

Less emphasis has been laid on heavy industry and more on lighter industry and building. Foreign borrowing has been curtailed and the private sector encouraged. How far down this road Algeria can travel will be decided by the delegates who may go as far as allowing the state to sell some of the large tracts of land it owns to small private farmers.

Congress may also decide to open to the private enterprise such areas as hotel building and management in the hope of cutting the state sector down to size, particularly where its management has proved both wasteful and inefficient.

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Reagan bows to textile lobby over imports

By Stewart Fleming in Washington

PRESIDENT REAGAN has bowed to political pressure and the demands of the U.S. textile industry and introduced new regulations which are expected to turn back the growth of textile imports from countries such as Hong Kong, Taiwan, China and Japan.

The new regulations allow the U.S. to call for consultations with any country exporting to the U.S. if a particular category of textile exports from that country not covered by quotas rose by more than 30 per cent in the most recent years or if the ratio of total imports to domestic production is 20 per cent or more.

Under the "call" procedure imports from a country are frozen at the level of the previous 12 months during a 90-day consultation period in the course of which officials may try to work out an arrangement to restrain import growth.

The new regulations now give U.S. officials specific criteria for calling for consultations when they fear that the domestic market is being disrupted by imports or when there is a threat of disruption.

The move by the President, who has been personally involved in the issue during the past few days, is a response to the concern within the textile industry about the rapid rise in textile imports in the past year. In spite of quota arrangements covering a score of countries and perhaps 60 per cent of textile categories, imports have risen by around 23 per cent in the past year, almost four times as rapidly as the growth in the domestic market.

The President had promised, during his election campaign in 1980, to help the textile industry meet import competition. With an election approaching and a number of key Republican Congressional seats at stake in states heavily dependent on the textile industry for employment the President has been under mounting political pressure to make good on his pledge.

GM plans Japanese trucks for U.S. market

By John Griffiths

GENERAL MOTORS is to launch heavy trucks made by Isuzu of Japan in which it has a 34 per cent stake, on to the U.S. truck market. At the same time GM's UK truck-making subsidiary, Bedford, is pushing for its own heavy trucks to be sold through GM's dealer network, in the U.S.

Mr J. T. Battenberg, Bedford's general manager, says that GM has also been increasing its debenture holdings in Isuzu, which is playing an increasing role in both GM's car-making activities and its recently formed world truck and bus division.

While Bedford is an integrated part of the division, Isuzu is a supplier of components and commercial vehicles, complementary to GM's own product line. But GM's taking up of further debentures must lead to speculation about it seeking eventual control of the Japanese company. "It could be seen as a logical course," Mr Battenburg said.

Initial U.S. imports of the Isuzu truck would amount to a maximum of 2,000 units a year, but business could grow, with other models following, he said. The Isuzu imports will be the first from Japan in the heavy truck sector.

Mr Donald Atwood, vice president and chief executive of GM's truck and bus group, indicated, however, that he expected other Japanese makers to move into the field soon. Bedford wants to sell its TL truck range, which would compete with other European makers such as Daimler Benz and Renault, which are already vying with domestic U.S. producers.

If Bedford were to succeed in tapping the North American market, it would provide a valuable offset to the sharp slump in Third World sales, which has badly hit all European truck producers. Bedford, which lost £53m last year, has been told by GM's world trucks division that its role in the division will depend strictly on how much its performance improves. Mr Battenburg insisted that the company "will make a profit within three years, even on current depressed volumes."

Deficit with Moscow worries Rome

BY JAMES BUXTON IN ROME

ITALY IS hoping to correct the sharp imbalance in its trade with the Soviet Union following high level talks which begin in Moscow today. But though the Italian Government is expected soon to allow ENI, the state energy company, to start talks again with the Soviet authorities on gas supplies via the new Siberian pipeline, the Italians are unlikely to press the gas issue in the meeting, the first since early 1981 of the Italo-Soviet joint commission.

Instead Italy wants to push forward negotiations on several major projects involving Italian companies, to cut its trade deficit with the Soviet Union. Soviet exports to Italy in 1982 were worth L4,800bn (£2bn), more than double imports from Italy of L2,042bn.

Italian companies, predominantly in the state sector, are seeking contracts worth about $1bn, mainly in the plant engineering field. A consortium of private sector and state-owned concerns including Danieli, the steel plant makers, and Efim, the state-owned metals industry holding company, are negotiating for an oil drilling equipment plant worth more than $200m.

Other projects for which Italian companies are negotiating include a steel tube plant, the modernisation of steel-making plants, a coal transport system and supply of textile machinery.

Italian companies have signed several contracts with the Soviet Union in the past few weeks: the Eni subsidiary Savio has agreed the supply of textile machinery know how, Unicem the supply of cement making equipment and, this week, Italimpianti the building of coal treatment plants.

The Soviet Union is thought likely to raise the question of the Siberian gas pipeline. The Italian delegation hopes to be able to insist that if Italy agrees to take gas from the Siberian pipeline, this will be offset by more orders for Italian goods from Moscow, to preserve the balance Italy is seeking to achieve.

Snam, the gas subsidiary of ENI, signed a technical agreement with Soyuzgasexport, the Soviet gas concern, in January 1982 to take 8bn cubic metres of gas a year from the Siberian pipeline. But the agreement was never ratified because the Italian Government declared a 'pause for reflection' in response to U.S. pressure and internal political opposition.

The agreement expired at the beginning of this year and will have to be renegotiated. ENI is still interested in taking gas, since Italy is in the midst of a major programme for expanding gas consumption, but it will seek to take a lower quantity than originally stipulated, at least until about 1990.

Italy is already a major customer for Soviet gas, taking 8.6bn cubic metres last year. Supplies by pipeline from Algeria recently began flowing into Italy.

Reuter adds from Duisburg, West Germany: Mannesmann Demag, a subsidiary of Mannesmann said it is to build two complete pipe processing plants worth a total of more than DM 100m (£25m) in the Soviet cities of Baku, on the Caspian Sea, and Taganrog, on the Asov Sea.

Demag will also supply and erect six gas turbine-driven compressor trains worth DM 65m for Pakistan Petroleum and three axial flow compressors worth DM 20m for a new steel works at Vishakhapatnam, India.

Italy eases export rules

ITALY'S highly restrictive foreign exchange regulations have been eased to make exporting easier and to allow companies to invest abroad more freely, according to Government decrees issued at the weekend, James Buxton writes.

At present companies have to request permission to be excused a requirement to make 50 per cent non-interest bearing deposits against the transfer of capital broad. This procedure is to be considerably shortened. Companies making investments abroad in line with their development strategy will not now normally need to seek permission.

But the liberalisation will not affect the transfer of capital abroad for more speculative purposes. Under another measure, small and medium-sized companies will be allowed to obtain advance payments for exports and make delayed payments for imports without having to seek special permission.

Trade finance operations for deals of up to L50bn (£21m) with countries presenting a low commercial risk can be made without insurance through Mediocredito Centrale, the main trade finance bank without the need for special authorisation, as at present.

Brazil trainer sale to Egypt boosts chances of order from RAF

BY ANDREW WHITLEY IN RIO DE JANEIRO

EMBRAER, the Brazilian state-owned aircraft manufacturing company, has won its largest single export order, worth $181m, for the sale to Egypt of 120 turboprop military training aircraft.

The twin-seater aircraft, known as the Tucana, will be assembled in Egypt by the Egyptian state weapons manufacturer between 1985 and 1987. Initial deliveries of complete aircraft from Brazil will begin in the second half of next year.

This success for Embraer in securing a major export order for the Tucana, a locally designed model using a Pratt and Whitney engine, boosts its prospects in the fierce competition among 16 aircraft manufacturers to provide a new basic trainer for the Royal Air Force.

Embraer has linked up with Short Brothers of Belfast, which would be responsible for local assembly of the Brazilian aircraft, with a considerable number of British components, if it wins the expected order for 150 aircraft.

Sr Ozilio da Silva, Embraer's commercial director said last week that the first round of the competition would take place in February or March; after which the field would probably be whittled down to three final contenders.

The rapidly growing Brazilian aircraft company, which is also developing a new jet fighter aircraft in conjunction with Aeromacchi of Italy also hopes that the Egyptian order will provide a springboard for entry into other Middle East markets.

The contract provides for Egyptian financing, guaranteed by the Brazilian Government. Egypt has taken an option on a further 60 of the aircraft.

Swissair seat change

SWISSAIR, the Swiss flag carrier, which has hitherto resisted the trend among other airlines to adopt the "three-class" concept of aircraft seating, has at last succumbed, Michael Donne reports. It is to spend over £4m restyling its fleet into three classes, to be introduced on March 25.

The new system, incorporating first, business and economy classes, will be introduced on both long-haul routes and on short-haul European services.

On long-hauls, this will bring Swissair into line with most other major airlines, who have used the three-class concept for some time. On short routes, however, Swissair will be ahead of most other European operators, who use only two classes — business and economy.

SHIPPING REPORT

Pre-Christmas lassitude

BY ANDREW FISHER, SHIPPING CORRESPONDENT

SHIPPING markets experienced pre-Christmas lassitude last week, with Denholm Coates reporting no major movements in cargo volumes or freight rates for dry cargoes. Indian charterers were prominent on Thursday, fixing four wheat cargoes from the River Plate. They also arranged fertiliser cargoes from Egypt.

Elsewhere business was thin. Rates for grain from the U.S. Gulf to Japan were steady at $15 a tonne and from the U.S. Gulf to continental Europe at $8.20.

Galbraith Wrightson reported a further small decline in rate levels on the iron ore market in the Atlantic, but not the complete collapse some had predicted.

The tanker scene was quiet with little immediate chance seen for an upturn in rates for large tankers in the Gulf.

● Cast, formerly an aggressive outsider on the highly competitive north Atlantic, is to join five conferences, the groups of shipping lines which agree rates, schedules and cargo capacity, on the Europe-Canada routes. Now controlled by banks, Cast was formerly run by Eurocanadian, the company which collapsed earlier this year.

Cast will continue to operate as an independent non-conference carrier in U.S. markets. Mr Klaus Glusing, chief executive of Cast (1983), the company's new name, said: "Our association with the Canadian conferences will provide stability to what has been a most volatile trade route."

Spanish shipbuilders win £52m order for Cuba

BY DAVID WHITE IN MADRID

SPAIN IS to build eight merchant vessels for Cuba under a leasing deal worth a total of Ptas 12bn (£52m), according to a spokesman for Astilleros Espanoles, the main state-owned shipbuilding group.

The contract is the first that has been received this year for Spain's large shipyards, which face severe cuts under Government restructuring plans. The Cuban deal, for eight vessels of 15,000 gross registered tonnes, was on the point of being signed in the spring but was held up because of problems over the financing.

Construction is to be financed by the Spanish Government's industrial credit bank (BCI) on behalf of a shipping company which will lease the vessels on a "bare boat" contract. Payment is to take place over 10 years.

The ships, which are due to be delivered from 1985 onwards, will be built at Seville and at Bilbao's Sestao yard, two of the three large facilities which the state holding company INI has proposed should be kept on, out of the five currently in existence.

The spokesman said further orders for refrigerated vessels might be concluded before the end of the year, but gave no further details. The big yards owned by Astilleros Espanoles and its sister company Astano, have an annual capacity of about 700,000 tonnes.

Before the latest deal, they had nothing on their order books. Their last order was for two grain carriers for Yugoslavia and was placed in December last year.

World Economic Indicators

INDUSTRIAL PRODUCTION (1975 = 100)

					% change over previous year
	Nov. '83	Oct. '83	Sept. '83	Nov. '82	
U.S.*	156.3	155.1	153.9	134.9	+15.9
	Oct. '83	Sept. '83	Aug. '83	Oct. '82	
UK†	100.4	100.9	100.2	98.5	+ 1.9
Japan†	107.7	107.2	106.6	99.1	+ 8.7
	Sept. '83	Aug. '83	July '83	Sept. '82	
W. Germany	114.1	113.0	113.7	111.4	+ 2.4
France	114.5	114.8	114.3	112.5	+ 1.8
Italy	115.3	115.8	112.9	120.5	− 4.3
	Aug. '83	July 83	June '83	Aug. '82	
Netherlands	108.2	110.5	107.3	106.1	+ 2.0

* 1967 = 100. † 1980 = 100.

Source (except U.S., UK, Japan): Eurostat

Rothschild joins the financial revolution

BY JOHN MOORE, CITY CORRESPONDENT

N. M. ROTHSCHILD, the merchant bank, entered the UK financial services revolution on Friday with the announcement that it is to acquire a 29.9 per cent stake in Smith Bros, a leading market maker on the London Stock Exchange.

Mr Evelyn de Rothschild, the chairman, is not known for revolutionary enthusiasms. The bank has established an ultra-conservative reputation, much respected but not marked by grand initiatives.

The style was a contributory factor to the departure of Mr Jacob Rothschild, Mr de Rothschild's cousin, from the group over three years ago.

Ironically, the cousins are both at the forefront of the revolution now taking place. Mr Jacob Rothschild, with his more venturesome approach, steered his group RIT and Northern into taking a 29.9 per cent stake in Kitcat & Aitken, the stockbroker, and recently announced an ambitious merger plan with the Charterhouse Group.

Both N. M. Rothschild and Smith Bros have been discussing the link for about two months. Rothschild had come to the view that the London stock market, in the wake of de-regulation, would never be the same again.

It believes that the functions of the stockbroker – who carries out buying and selling shares on behalf of clients – will not be able to be kept separate from the functions of the stockjobber, who makes markets in securities. The present structure may disappear within two years.

Rothschild also believes that the search for capital by jobbing and broking firms, placed in a more competitive environment once minimum commission scales are dismantled within the stock market, will force the firms to look for capital beyond the London Stock Exchange's walls.

Big American investment banking groups are stalking the London market with a view to forging shareholding links – up to the maximum permitted limit of 29.9 per cent – with stockbroking and jobbing firms in the hope that the limits are eventually abandoned by the stock exchange in the face of commercial pressures.

With greater opportunities for overseas firms to participate in the London market, Rothschild, like S. G. Warburg, the merchant bank which recently took 29.9 per cent of another stockjobber, Akroyd & Smithers, is attempting to consolidate its own position in the London and international markets.

Rothschild seems set on becoming an investment bank more on the lines of the U.S. investment banking houses such as Morgan Stanley and Goldman Sachs, it hopes to capitalise quickly on its link with Smith Bros through the establishment of joint venture international dealing subsidiary.

The stock exchange is liberalising its rules regarding overseas securities. The first step in dismantling minimum commissions will be taken by introducing negotiated rates on overseas securities. More importantly, outsiders are likely to be able to hold up to 49 per cent in new international dealing subsidiaries, which member firms of the stock exchange are to be allowed to form.

Rothschild is to pay £6.5m for its 29.9 per cent stake in Smith Bros. It will then inject up to £4.9m in capital into the international dealing subidiary, providing that outsiders are allowed to take a 49 per cent stake. Smith Bros will be contributing £5.1m.

Rothschild believes that it will be much easier to build an investment banking group around a market maker rather than a stockbroker.

Smith Bros, one of only two publicly quoted market makers on the stock exchange (the other is Akroyd) has about 180 employees. That includes 65 dealers. A third of the dealing staff is engaged on international trading.

It recently set up a New York office and has had an office established in Los Angeles for some years. It has a reputation as a dealer in gold shares and both sides obviously feel that the reputation will be enhanced by a link with a top bullion house.

'No obstacle' to BP Forties field sale

BY RICHARD JOHNS AND IAN HARGREAVES

BRITISH PETROLEUM does not see any political impediment to the company selling another slice of its Forties field, chairman Mr Peter Walters said in an interview.

Mr Walters said that BP had no immediate plans to reduce further its share in the North Sea's most prolific field following the recent disposal of 12.25 per cent. But he added: "I have thought about the next tranche. It is not necessary for us in terms of cash generation and I will not do it tomorrow. But I do not see why it would be politically unacceptable after a breathing space."

Any further dilution would be "of a neutral political nature" because lower tax receipts in the short term would be balanced in the long term by a greater incentive for exploration and the exploitation of more discoveries in later years, Mr Walters asserted.

BP's tax profile could benefit from a further sale of its interest in Forties, Mr Walters said. The company was still paying "a fair whack of top tax" – at the highest 90 per cent marginal rate on its predominant share of the field's output.

At the same time, the fiscal changes introduced in the 1983-84 budget had given BP a more favourable tax profile and stimulus to intensify its own exploration efforts in the UK.

Mr Walters thought that there were good prospects for exploiting known gas structures in the southern basin of the UK Continental Shelf and the shallow waters to the north of it. "Providing there is agreement with the British Gas Corporation, some of these fields could be on stream in 1986," he said.

There would be a need for all commercially viable projects in the southern basin in addition to gas from Norway's Sleipner field.

Mr Walters said that BP was now in favour of a deal between British Gas and Statoil over Sleipner, since it had slipped back in time and no longer posed a threat to UK gas field development.

BP's exploration budget had risen threefold from 1979 (when the company lost its secure supplies of oil from Nigeria and Iran) to 1982. It had "probably now stabilised," Mr Walters said.

The company is searching for hydrocarbons in 27 different countries and spending on it a little more than half of £2bn annually spent on capital investment – excluding Sohio, in which BP has a 53 per cent interest.

Asked about BP's future production profile Mr Walters said that "gas will tend to make up for some falling away of oil barrels. In thermal terms, I don't think that we will see much change."

Mr Walters calculated that the rationalisation programme embarked upon two years ago, when he became chairman, had resulted in annual savings of £250m (in 1983 values) and he expected further gains especially from West Germany. "We have some more sweating out to do everywhere but significant in terms of site closures."

The tough programme was reflected in the company's results so far this year with profit (on the company's chosen replacement cost operating accounting system) at £2.56bn in the January-September period of 1983 compared with £2.11bn in the same period of last year.

Mr Walters said that when he took over the chairmanship in 1981 he had given BP five years to get existing business right and another five "to get new ones going." One growing business is nutritions which this year should generate £800m in sales and £25m in profit.

Development of coal and minerals interest would be slower than originally envisaged. "You can't go faster than the market and there is no point in a strategic investment without profitability" said Mr Walters.

As for the company's loss-making refining and marketing operations he said that BP saw in this area "a bigger profit potential than we had thought possible."

Referring to the efforts of the oil industry to cut excess capacity he acknowledged much still existed. "The last 10 to 20 per cent is the most difficult to get rid of." "You've got rid of the junk. What you have left is probably pretty good."

"Its like those nice chairs you've got in the attic. You don't have an economic justification for them, but you don't want to throw them away."

Growth targets may be 'too optimistic'

BY PHILIP STEPHENS

THE GOVERNMENT appears to have set a 3 per cent annual target for both inflation and growth over the medium-term, but is being over-optimistic, say brokers Phillips and Drew.

A more likely outturn over the next five years is annual retail price inflation of 5 per cent, and 1.5 to 2 per cent growth a year in real GDP, the company's latest economic forecast says.

Although Mr Nigel Lawson, the Chancellor of the Exchequer, has spoken of price stability as the Government's target, a 3 per cent annual inflation rate is likely to be closer to his real aim, it says.

On the assumption that the Government will seek to secure some reduction in unemployment before the next election, 3 per cent growth seems a probable target.

While those guidelines are too optimistic there are signs that Britain is moving into a transition from a high inflation/low growth economy to a low inflation/high growth phase.

The forecast singles out three elements in this transition, which it expects to continue throughout the 1980s.

It predicts a change in inflationary expectations which may be translated into lower wage settlements and increased competitiveness; the continuing fall in unit labour costs; and that recent figures showing that for the first time since the start of the recession jobs lost in manufacturing, construction and the utilities are more than compensated by new employment in the service industries.

● The five main UK clearing banks are considering an annual pay increase at or slightly above 5 per cent for their 230,000 staff next April.

After a 5 per cent rise last spring, this would halt a three-year trend of declining settlements at Barclays, National Westminster, Lloyds, Midland, and Williams and Glyn's.

Although it is too early for firm decisions, this is the level executives believe will keep and recruit staff of the right calibre, and retain their co-operation on issues like introduction of new technology.

UK revival in games and photography

By Arthur Sandles

PHOTOGRAPHY, hi-fi and games may be set for a comeback in popularity with the British as objects for leisure spending. Book reading, beer drinking and gramophone records may be in for more lean years.

These are among broad conclusions of the latest Leisure Futures predictions from the Henley Centre for Forecasting. Its winter 1983 report suggests the recovery in consumer spending which has taken place since 1982 has been patchy and this pattern may continue.

Technical innovation is one of the reasons the Henley Centre predicts revivals in some markets.

"We expect the photography market to experience relatively strong growth, of about 3 per cent per annum, during the period 1983-88."

It is particularly enthusiastic about the cheaper end of the market, notably in the field of "foolproof" cameras which are easy to use and give good results.

Industry expects recovery to gain pace next year

BY ROBIN PAULEY

THE Confederation of British Industry (CBI), the country's leading employers' group, today reports further significant and widespread improvement in demand in the UK economy. The CBI sees firm indications that the recovery will have plenty of momentum during the first quarter of next year.

Export orders, moreover are improving substantially and the level of optimism about the volume of output in the next four months is at its highest level of the year.

There is some caution, however, about the extent to which Britain's recovery will be able to continue beyond that and the CBI is still not as enthusiastic as the Treasury about the propects through into 1985.

The CBI December survey of trends, conducted among 1,745 companies in manufacturing industry, shows that 20 per cent now regard their total order books as being above normal and 34 per cent consider them below normal (the balance thinking they are normal). The excess of "below normal" responses over "above normal," was by far the lowest level this year.

The recovery appears finally to be filtering through into export orders. Britain's balance of imports over exports has remained high since the recovery began, and the CBI monthly trend surveys, with a high record of accuracy, have shown persistently high balances of companies reporting that their export order books are below normal.

The balance below was 55 per cent in January and has been between 25 and 40 per cent all year. But this month's survey has the balance down to 14 per cent – 18 per cent thinking they are below normal (with the rest reporting normal export orders).

This substantial improvement in demand and exports is spread throughout manufacturing industry although companies making consumer goods continue to report relatively stronger orders.

The slight sting in the tail of the survey – which generally confirms the views of Mr Nigel Lawson, Chancellor of the Exchequer – that there is much more strength in the British recovery than many forecasters have admitted, concerns prices and, by implication inflation.

A greater proportion of companies expect their average prices to rise in the next four months than has been the case throughout this year. About 40 per cent of companies now think average prices, at which domestic orders are booked, will rise in the next four months while only 6 per cent think they will fall.

Engineering equipment orders show big rise

FINANCIAL TIMES REPORTER

THE LEVEL of UK ordering of machine tools and other mechanical engineering equipment rose substantially in the third quarter, according to the latest Department of Trade and Industry statistics.

Sales remain severely depressed, however, and export prospects appear mixed.

New orders for machine tools were 14.5 per cent higher in the third quarter compared with the second quarter, but still down 50 per cent from the average 1979 level.

Home orders were up 18.5 per cent compared with the previous quarter and export orders up 9.5 per cent. Sales in the third quarter were 15 per cent lower, and 60 per cent below the 1979 level.

Figures for the combined engineering industries indicate the beginnings of a recovery in home demand for mechanical engineering equipment, offset by a fading of the instrument and mechanical engineering sectors and of overseas demand.

New home orders for mechanical engineering equipment were up 16 per cent in the third quarter but this was more than offset by a 28 per cent decline in export orders. Electrical and instrument engineering orders were down 4 per cent in the home market and by 20.5 per cent abroad.

Crown Agents 'losing momentum'

By David Dodwell

MR ALAN FROOD, managing director of the Crown Agents, said at the weekend that continuing government delay over whether or not it should abolish the organisation "is making it extremely difficult to sustain the momentum of the business." The Crown Agents act as investment advisers for overseas governments and public bodies.

As it has become clear this weekend that no decision is likely on the fate of the Crown Agents until the early part of January, Mr Frood said: "We are very concerned about the possibility of losing business as matters are allowed to drift."

"We are in the market place bidding for contracts, but with fierce competition in some areas. Governments inviting tenders are inevitably qualifying everything put forward by us," he commented.

A question mark has hung over the future of the 150-year-old Crown Agents, which started life procuring everything from cutlery to railway carriages for Her Majesty's Crown Colonies, since July when a lucrative contract to manage a £3.5bn investment portfolio for the Sultan of Brunei was cancelled without warning.

This contract loss pushed the organisation into the red, and threw awry a debt repayment programme agreed with the Government in March 1982. When approached with a request for rescheduling, the Government instead decided to take the opportunity to consider whether the organisation would not be better abolished.

However, the debate inside Whitehall over the fate of the Crown Agents continues unresolved. The Treasury, unconvinced that they should be saved, is pitched against the Overseas Development Administration – to which the Agency answers – and the Foreign Office.

Orders being negotiated at present – inevitably at stake while uncertainty surrounds the Crown Agents' future – include a diversified package worth about £30m being handled for the Ghanaian Government by the African Development Bank, and a £4m contract to improve electricity supplies in Angola.

During 1983, the Crown Agents are expected to bring contracts worth an aggregate £170m to the UK, mostly to small companies.

David Lascelles reports on the U.S. bank's application to join the Clearing House

Citibank sets a poser for UK bankers

IN THE next few weeks, top British bankers will have to make an awkward decision: whether to say yes to anapplication by Citibank of New York to join their ranks as a clearing bank.

If they do, they will open the door to the fiercest competitor in the business. If they say no, they will only reinforce the notion that the UK banks run a cosy cartel where foreigners are not welcome.

The present indications are that Citibank's characteristically bold approach will pay off. There is no basic reason why it should not be admitted to the Clearing House whose membership qualifications say nothing about foreign banks, only about size and type of business. Citibank meets all the criteria set down.

More to the point, perhaps, two of the London clearing banks, Midland and NatWest, own banks in the U.S. which are members of the American clearing system, a point that Citibank has made in its high-level lobbying around Whitehall and the Bank of England.

If admitted, Citibank will become the first foreign bank to penetrate the heart of the British banking system and operate as an equal with the retail bank "clearers" – something that has never happened before.

"Our plan is to transform ourselves from being the branch of a foreign bank into a domestic British bank with an international branch network," Mr Kent Price, 40, who heads Citibank's UK operations from its London headquarters.

Citibank's move (which comes only weeks after it bought a stake in London stockbrokers Vickers da Costa) fits into the enormously ambitious strategy of its parent, Citicorp, to be a major player in virtually every financial service around the globe.

Already the largest financial group in the U.S. with $130bn in assets, it has a far-flung banking empire with nearly 1,500 offices in 94 countries, all connected by a recently completed private telecommunications system. This has its own satellite transponder and a $700m investment in high-tech equipment, much of it actually produced by the group's own computer subsidiary.

Not that Citicorp's aggressiveness and low regard for conventions have been a sure recipe for success. There have been costly failures – like its mass mailing of unsolicited credit cards in the U.S. three years ago which grateful recipients used with abandon and never settled their accounts. Citibank's massive Latin American debt load – over $10bn – also suggests a certain need for restraint. Its brashness has earned it plenty of enemies – and lawsuits – and made it the hardest of all U.S. banks to view with indifference.

But with all this, Citibank is one of the few big American banks willing to make a significant commitment to retail banking – which is fiercely competitive and not particularly profitable in the U.S. – and to export it.

None of its major rivals has tried to build up big retail branch networks abroad, though some like Manufacturers Hanover, Bank of Boston and Bank of America have gone for market niches.

Citibank has done business in the UK since 1902 and is the largest foreign bank, employing 2,500 people. It will not reveal the exact size of its balance sheet in Britain but it is believed to be well over $10bn, or a tenth of Citicorp's entire assets.

Its biggest units are Citibank Savings, a retail deposit and loan operation with 41 branches, a merchant bank based in the Aldwych, London, and a controlling stake in Grindlays, the UK-based international bank. All these are in addition to the foreign exchange and capital market trading operations which Citibank runs from London like all major international banks.

The Vickers acquisition, which will cost £20m coincides with the deregulation of the London Stock Exchange. But though Citibank will shortly own 29.9 per cent of Vickers' London operations (the most permitted by present stock exchange rules) its goal, at least in the short run, is to gain access to Vickers' well-developed and lucrative Far East business.

In the longer run, though, Citibank wants full control of the London end, which will give it an entry ticket to the stock exchange and add yet another facet to its business.

In the U.S., Citibank already offers wealthy customers an investment-cum-banking account called Focus and will almost certainly begin marketing it in the UK one day. Ironically, the relatively freer regulatory climate in the UK means Citibank may be able to develop a bigger investment banking and broking business in London than it can in New York.

Citibank has also seriously considered buying its way directly into the market by acquiring an established UK bank. Although there was much speculation that it would join the bidding for Royal Bank of Scotland when it was being sought by Hongkong Bank and Standard Chartered in 1981, it actually had its eye on the Royal's English subsidiary, Williams and Glyn's.

Mr Price considers, that merely by increasing Citibank's existing branches from around 50 (including corporate lending branches other than Citibank Savings) to about 70 in well-chosen locations, he could put his bank's services within 10 miles of 90 per cent of the population.

"We don't want to have our name on every high street corner," he says. Citibank has hired McKinsey, the consulting firm, to advise on how to tackle the market. Mr Price says the approach will be broad. On the retail side, he says Citibank will offer the full range of bank services. The bank owns, among other things, Diners Club, the charge card, and is one of the few banks that issues its own travellers cheques.

On the business side, it is aiming not just for big companies, but medium and even small companies where it thinks a good relationship can be built up.

Corporate lending offices are already established in Belfast, Edinburgh, Manchester, Birmingham and Jersey. More are planned for Scotland, the Midlands, eastern and southern England, and to the immediate north and south east of London. Mr Price says Citibank is unlikely to buy market share by price-cutting. Its costs are too high for that.

As a clearing bank, Citibank would also be able to act to as clearing agents for other banks – another source of fee income. But as a full member of the UK banking establishment, there would also be more irksome questions to address, among them the trade unions.

Citibank has so far successfully resisted efforts by Bifu, the bank workers union, to organise its UK staff. Officially it takes the line that since staff get paid according to individual merit, they have no need to bargain collectively. But Bifu is not giving up.

The union was one of the forces behind a highly critical report of Citibank's labour relations practices put out recently by Fiet, the Geneva-based federation of clerical unions.

Boilerhouse of the banking system

THE CLEARING House which Citibank has applied to join is the "works" of the UK banking system. Located in Lombard Street in the City of London, it is owned by Barclays, Lloyds, NatWest, Coutts, Midland and Williams and Glyn's, with the Bank of England, the Co-op Bank, the Central Trustee Savings Bank and the Girobank as "functional members" – the category Citibank wants to join.

Despite its name, few cheques actually pass through the Clearing House any more because of the shift away from paper. Its main role is as a channel for the banks to settle their accounts with each other at the end of the day. Actual settlement is made by transferring funds between the clearing banks' accounts with the Bank of England.

At the moment, Citibank has to pay one of the Clearing House members to act as its clearing agent. But cost-saving is probably the least of its considerations. The U.S. bank sees Clearing House membership as a way to the heart of the British banking establishment, where it can share in policy decisions.

Characteristically, it has little regard for City of London conventions and maintains that it should be allowed to compete "on a level playing field" with the British banks. Membership of the Clearing House would also give Citibank a role in Chaps, the electronic payments system which the clearers plan to launch next February.

The Bank of England is broadly sympathetic to Citibank's argument. Mr Robin Leigh-Pemberton, the governor, said in a recent interview with the Investor's Chronicle: "I think we have to see it as reasonable that they should be able to join the clearing system."

£1.1m damages awarded in silver dispute

By Raymond Hughes, Law Courts Correspondent

JOHNSON MATTHEY Bankers has been awarded £1,129,885 damages in the London High Court against State Trading Corporation of India as a result of an Indian government ban on the export of silver.

Mr Justice Staughton said in the Commercial Court that Johnson Matthey was entitled to the damages because of losses it sustained when the corporation was prevented by the ban from completing 34 contracts for the sale of silver.

In January and February 1979, the corporation agreed to sell Johnson Matthey a total of 425,676.15 troy ounces of Indian silver.

Each of the 34 contracts included a clause providing that, if the corporation notified Johnson Matthey that it was unable to deliver, the contract should be closed by invoicing back at the market rate prevailing on the day after notification.

It was the combined effect,of that clause and the fluctuation in the market price of silver that had given rise to the dispute, the judge said.

Mr Justice Staughton held that the corporation had not given the notice, and that Johnson Matthey had suffered the loss it claimed, having had to use silver from the stocks in its vaults to meet contracts it had made for the resale of the Indian silver.

Move to cut labour costs

By Our Industrial Editor

THE GOVERNMENT is stepping up pressure to reduce costs in the National Health Service by instructing NHS administrators to drop all specification of minimum rates of pay for staff employed by companies employed on cleaning and catering contracts.

A Department of Health and Social Security (DHSS) circular says that "In seeking tenders for services and awarding contracts, health authorities should not specify rates of pay or conditions of service for contractors' staff."

Rates of pay among contract cleaners have already gone down from £2.12 an hour in London to £1.80 or below in some companies.

A report published today by the Low Pay Unit, a research body, claims that about 7m UK workers, or one third of the workforce, are earning less than the Council of Europe's "decency threshold" of £100 a week, or its hourly equivalent.

UK NEWS

GM car range 'a threat to BL'

By Kenneth Gooding
Motor Industry Correspondent

GENERAL MOTORS, the Vauxhall-Opel group, could push BL into third place in the UK new car market by the mid-to-late 1980s, according to the Economist Intelligence Unit (EIU).

GM's car range "can increasingly look Ford's line-up squarely in the eye and, longer-term, there is no fundamental reason why the two U.S. companies should not be level pegging in the UK market place," says the EIU in the latest Motor Business report.

So far this year, Ford has a 29 per cent market share, BL 18.5 per cent and GM 14.5 per cent.

The EIU suggests that Ford will fight to maintain its position and both BL and GM to improve theirs. "Given the attractive model ranges which they are all able to offer, the battle is being fought on price. In other words, market share is up for sale to those who are able and prepared to offer the keenest prices and terms".

The report predicts that in 1984 Ford will remain market leader by a wide margin.

The EIU maintains that 1984 will see a continuation of heavy discounting as the battle between Ford, GM and BL spills over into the new year. "The alternative would be for Ford to accept a market share in the 24 per cent to 26 per cent range, which hardly seems a likely outcome."

Motor Business forecasts that after a record 1.78m registrations this year, UK car demand in 1984 will fall 6.2 per cent to 1.67m.

British-assembled cars are expected to capture a marginally larger share of demand in 1984 – 43.1 per cent against 42.7 per cent in 1983 – mainly because of BL's LM11 medium-sized car which goes on sale early next year.

Car exports are estimated at 240,000 for 1983 and forecast to rise to 260,000, or 8.3 per cent next year.

However, production next year is forecast to drop back below the 1m level – reached this year for the first time since 1979 – by 2 per cent to 980,000.

"Motor Business No 116" from the EIU, 27 St James's Place, London SWIA 1NT

GM truck launch, Page 3

Merseyside economy shows first signs of recovery in 1980s

BY IAN HAMILTON FAZEY

THE MERSEYSIDE regional economy in North-west England is beginning to show signs of improvement – the first real upturn in trends during the 1980s.

The latest quarterly survey by the Merseyside Chamber of Commerce and Industry showed sizable jumps in orders and deliveries, less plant idle, and the beginnings of stabilisation in the labour market.

The survey achieved a 60 per cent return from a representative sample of the region's industry. The 30 respondents employ nearly 56,000 workers.

Three times as many companies – 46 per cent – reported increases in home deliveries and orders, compared with a year ago. Only 15 per cent reported a decline. Export orders were up for 39 per cent, with 34 per cent holding on to the level of 12 months ago.

For the first time for years, no respondent is working at less than 60 per cent capacity, and 23 per cent are at full capacity – half as many again as last year.

More staff have been taken on by 19 per cent of companies in the last quarter, a trend that has increased steadily throughout the year from only 5 per cent in the comparable quarter of 1982. Recruitment will continue at 11 per cent of the companies during the winter, with 58 per cent expecting to hold employment at present levels.

Confidence is growing, with nearly half the companies forecasting increases in turnover and profitability and most of the others expecting to do just as well in the next three months as at present.

Export body renamed

BY WILLIAM DAWKINS

BRITAIN'S service industry exporters have changed the name of their representative body to give it a more national flavour. The Committee on Invisible Exports will now be known as the British Invisible Exports Council.

The council, financed almost entirely by the private sector, was set up in 1968 to stimulate international trade in services such as insurance, tourism, shipping, airlines and consultancies.

The council has mounted more than 35 overseas missions since its formation, and in the past year has visited Indonesia, Canada, South Korea and Portugal.

Mr Bill Mackworth-Young, its chairman, said: "British invisibles go from strength to strength. We have plans for further missions to a number of places in 1984, including India, French-speaking Africa, Malaysia and the U.S. West Coast."

Britain's private sector gross earnings from invisibles were more than £28bn in the last tax year, when they made a net contribution to the balance of payments in excess of £6.7bn. That performance puts the UK second in the world league of selling services abroad after the U.S., which earns about five times as much from invisibles.

The council has formed a new committee, the BIE Overseas Promotion Committee, which will be chaired by the Earl of Limerick, who recently retired as chairman of the British Overseas Trade Board.

Sizewell savings forecast to be less

Financial Times Reporter

THE CENTRAL Electricity Generating Board (CEGB) has revised downwards the amount it expects to save from Sizewell B, the pressurised water reactor (PWR) which it plans to build in Suffolk on the east coast of England.

Its estimate that it would save £1.55bn through reductions in the amount of coal and oil burned in other power stations, some of which could be shut down earlier, has been reduced to £1.23bn.

The lower forecast has been produced at the end of months of evidence presented to the Sizewell B public inquiry on the economics of the proposed reactor.

A £145m loss in savings is attributed by the CEGB to the delay caused by the inquiry, which has already lasted 12 months and could continue until September next year.

The board also accepts that it was too pessimistic on forecasts for world energy prices in the 1980s. Prices may now be lower than the board expected.

It accepts as well that savings in the cost of coal-fired generation could be made by using improved import facilities in the Thames estuary.

Two other factors which have led to the revised forecast are that Magnox nuclear power stations are now expected to have longer lifetimes and the likelihood of increased imports of electricity from France and Scotland at times when prices are lower than the cost of power from the CEGB's oil-fired stations.

However, reductions in the savings have been partially offset by a number of other factors.

The inquiry has now adjourned for the Christmas recess until January 4.

North Sea oil production hits peak level

By Ian Hargreaves

OIL PRODUCTION from the UK sector of the North Sea reached a peak of 2.5m barrels a day in November, according to figures from Wood Mackenzie and Petroleum Information.

The previous record for monthly output was in September, when production averaged 2.4m b/d. Barring major weather or maintenance problems, production for the year looks likely to average 2.3m b/d, compared with 2.07m b/d in 1982.

Output has been boosted by better than expected production from a number of fields, including the Maureen field, which has already reached peak output and is producing 90,000 b/d.

Hamilton's Duncan field also came on stream in November, producing about 20,000 b/d.

In the Norwegian sector, November production is put at 770,000 b/d, an increase of 5,000 b/d on the previous peak.

COMPANY NOTICES

FIDELITY ORIENT FUND

Société Anonyme d'Investissement
37, rue Notre-Dame, Luxembourg
R.C. Luxembourg B 19061

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the shareholders of Fidelity Orient Fund, a société anonyme organized under the laws of the Grand Duchy of Luxembourg (the "Fund"), will be held at the principal and registered office of the Fund, 37, rue Notre-Dame, Luxembourg, at 11:00 a.m. on December 28, 1983, specifically but without limitation, for the following purposes:

1. Presentation of the Report of the Board of Directors;
2. Presentation of the Report of the Statutory Auditor;
3. Approval of the balance sheet at August 31, 1983 and income statement for the fiscal year ended August 31, 1983;
4. Discharge of Board of Directors and the Statutory Auditor;
5. Election of eight (8) Directors, specifically the re-election of all present Directors, Messrs. Edward C. Johnson 3d, William L. Byrnes, Charles A. Fraser, Hisashi Kurokawa, John M. S. Patton, Harry G. A. Seggerman and James E. Tonner and Finimtrust.
6. Election of the Statutory Auditor, specifically the re-election of the present Statutory Auditor, Maurice J. Sergant.
7. Approval of such amendments to the Articles of Incorporation as are necessary or appropriate to enable the Fund to adopt the status of a "société d'investissement à capital variable" and to terminate use by the Fund of a repurchase subsidiary to repurchase Fund shares (the Fund to make such repurchases itself), including amendment of Article 3 to change the purposes of the Fund, Article 5 to change the amount of and manner of determination of the amount of the capital of the Fund, a portion of Article 8 to delete reference to a repurchase subsidiary and repurchased shares, a portion of Article 22 to change provisions as to the limitations on assets available for repurchase of shares, the dissolution of the Fund and the status of reacquired shares and to delete reference to a repurchase subsidiary, a portion of Article 24 to change the manner of determination of the Net Asset Value of shares, including by incorporation of the Fund's Valuation Regulations into said Article, and to delete reference to a repurchase subsidiary, Article 25 to change various provisions as to subscription for shares, Article 28 to delete provisions as to a legal reserve and to change amounts available for payment of dividends, and Article 32 to change references to certain laws to which the Fund is subject, and deletion in their entirety of Article 7, relating to changes in the amount of the capital of the Fund, and Article 23, relating to creation of surplus accounts.
8. Consideration of such other business as may properly come before the meeting.

Approval of the above Items of the Agenda will require no quorum and the affirmative vote of a majority of the shares present or represented at the Meeting, except that the amendments referred to in Item 7 will require the affirmative vote of two-thirds of the shares present or represented at the Meeting. Subject to the limitations imposed by law and the Articles of Incorporation of the Fund, each share is entitled to one vote. A shareholder may act at any meeting by proxy.

The amendments referred to in Item 7 will all be voted on as one proposal, rather than voting on each amendment separately, and if approved will become effective as soon as possible after the Meeting.

The full text of the above amendments in substantially their recommended form and a letter to shareholders explaining the reasons for the recommended change to the status of a société d'investissement à capital variable is being mailed to holders of registered shares along with this notice of meeting. Copies of these documents will be made available to holders of bearer shares who so request by contacting the Fund at 37, rue Notre-Dame, Luxembourg.

By Order of the Board of Directors

CANADIAN NORTH ATLANTIC WESTBOUND FREIGHT CONFERENCE
CANADA-UNITED KINGDOM FREIGHT CONFERENCE

NOTICE TO SHIPPERS AND IMPORTERS
CONFERENCE MEMBERSHIP

The member lines of the above conferences operating services between the United Kingdom, Northern Ireland and the Republic of Ireland and Canadian Maritime, St. Lawrence River and Great Lakes ports wish to advise shippers and importers of an expansion of conference membership by the admission of Cast (1983) Ltd. and Sea-Land Service Inc. with effect from 1st January 1984.

From that date Messrs. Sea Land Service Inc. will become a full member and Messrs. Cast (1983) Ltd. an associate member.

The addition of these two well established lines will serve to increase the availability of conference services in the trade.

ATLANTIC CONTAINER LINE G.I.E.
THE CANADA LINE
HAPAG-LLOYD AG
MANCHESTER LINERS LTD.
CANADIAN ATLANTIC FREIGHT SECRETARIAT LTD.
Secretaries

Canard Building,
Liverpool L3 1DS.
December 1983.

BAYER AKTIENGESELLSCHAFT
5% CONVERTIBLE LOAN STOCK 1969

S. G. WARBURG & CO. LTD., announce that the interest for the period 1st January, 1983 to 31st December, 1983 will be payable from 2nd January, 1984 at the rate of 5.375 per cent. per annum against presentation of Coupon No. 15.

Coupons should be lodged with:
S. G. WARBURG & CO. LTD.,
Bond Department,
St. Albans House,
Goldsmith Street,
LONDON EC2P 2DL

from whom claim forms can be obtained.

United Kingdom Income Tax will be deducted at the rate of 30p in the £ unless claims are accompanied by an affidavit.

German Capital Yields Tax deducted at 25 per cent is recoverable in full by United Kingdom residents and S. G. WARBURG & CO. LTD., will provide appropriate forms for such recovery upon application.

30 Gresham Street,
LONDON EC2P 2EB.

19th December, 1983.

GIST-BROCADES N.V.

In accordance with subjection 2a of the Trust Deed of 18th June 1969 relating to

GIST-BROCADES N.V.
U.S.$15,000,000 20-year 5¼% convertible Debenture Loan, the undersigned announces that the Conversion Price falls to be adjusted due to the issue of rights to holders of ordinary shares entitling them to subscribe for 731,630 ordinary shares.

From 5th December 1983 the Conversion Price will be reduced to Nfl 83.20 per share of Nfl 10 nominal value.

B.V. ALGEMEEN ADMINISTRATIE- EN TRUSTKANTOOR
Wijnhaven 89,
3011 WK ROTTERDAM,
The Netherlands.

HILL SAMUEL OVERSEAS FUND S.A.

societe anonyme d'investissement
Luxembourg, 37, rue Notre-Dame
R.C. Luxembourg B 8.422

DIVIDEND NOTICE

A dividend of U.S.50.50 per share has been declared payable as from December 16th, 1983 to shares outstanding on December 9th, against presentation of coupon No. 12.

Shares will be quoted ex-dividend as from December 12th, 1983.

By Order of the Board.
THE SECRETARY

NOTICE OF RATE OF INTEREST
NBE FINANCE (CAYMAN) LIMITED
US$40,000,000 GTD FLOATING RATE SERIAL NOTES 1987

In accordance with the provisions of the Reference Agency Agreement between NBE Finance (Cayman) Ltd. and Citibank, N.A., dated June 15, 1982, notice is hereby given that the Rate of Interest per US$9,000 Note has been fixed at . . . .% p.a. and that the Interest Payable on the relevant Interest Payment Date, 19th June, 1984 against Coupon No. 4 will be US$ . . . and has been computed on the actual number of days elapsed (183) divided by 360.

By CITIBANK, N.A.
CSSI Dept.
Reference Agent

December 19, 1983.

PERSONAL

FACT

THE BRITISH DIABETIC ASSOCIATION IS THE LARGEST SINGLE CONTRIBUTOR TO DIABETIC RESEARCH IN THE U.K.

HELP DEFEAT **DIABETES**

Join us — Help us Support us

BRITISH DIABETIC ASSOCIATION
10 Queen Anne Street
London W1M 0BD

IN LIVING MEMORY

Floral tributes fade. Your regard for departed friends lives on if you make a donation in their name to Help the Aged's work—towards a Day Centre for the lonely, medical treatment or research for the old, or help for the housebound. Every £ achieves a great deal for the old. Please let us know the name you wish to commemorate. Send to: The Hon. Treasurer, the Rt. Hon. Lord Maybray-King, Help the Aged, Room FT3M, 32 Dover Street, London W1A 2AP.

APPEALS

SOCIETY FOR THE ASSISTANCE OF LADIES IN REDUCED CIRCUMSTANCES
Founded by the late Miss Smallwood
Patron:
HER MAJESTY THE QUEEN

CHRISTMAS APPEAL

This Season of Good Will can be a time of want and loneliness for many elderly and infirm ladies. Please help us to bring a little warmth and pleasure into their lives, not only at this time, but throughout the year. Your generous response would be greatly appreciated.

Please make cheques payable to:
SALRC, Lancaster House (FT)
25 Hornyold Road
Malvern, Worcs WR14 1QQ
Charity Reg. No. 205798

CLUBS

RAMON'S NIGHTCLUB RESTAURANT, 42, Dean Street, W1. Where today's businessman can relax and enjoy an exciting evening. Various cabaret acts throughout. Charming and discreet dancing partners available. Open nightly 9 pm to 3 am. 01-437 9455.

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189 Regent St. 01-734 0557.

ART GALLERIES

BROWSE & DARBY, 19, Cork St., W1. 01-734 7984. JAMES REEVE. Paintings and Watercolours.

LE FEVRE GALLERY, 30, Bruton Street, W1. 01-493 1572. Important XIX and XX Century works of art on view. Nov. 23rd-Dec. 21st. Monday-Friday 10-5; Saturdays 10-12.30.

MACKINNON & STRACHEY, 17, Savile Row, W1. 01-734 6911. Exhibition of 19th century English and French Watercolours. Mon.-Fri. 10-5.30.

ODETTE GILBERT GALLERY, 5, Cork St., London, W1. The newest gallery in London specialising in living British artists is now open. Mon.-Fri. 10-5.30. Sat. 10-1 Tel: 01-437 3175

CONTRACTS & TENDERS

NICOSIA RACE CLUB

Invitation for Prequalification of Suppliers of Betting Computer Systems

The Nicosia Race Club invites suppliers of betting computer systems to apply for prequalification to bid for the supply of suitable computer systems for the computerisation of the betting operations of the club.

Interested suppliers may obtain the relevant documents from:

The Secretary of the Club, Chantecler Building
2 Sophoulis Street, Office No. 203, Nicosia, Cyprus

Applications for prequalification to bid should be submitted in a sealed envelope to the above address by 10 am on Saturday 14th January 1984

REPUBLIQUE ALGERIENNE DEMOCRATIQUE ET POPULAIRE

(Algerian Popular Democratic Republic)

MINISTERE DE L'ENERGIE ET DES INDUSTRIES PETROCHIMIQUES
(Ministry for Energy and Petrochemical Industries)

ENTERPRISE NATIONALE SONATRACH
(National Company "Sonatrach")

NOTICE OF NATIONAL AND INTERNATIONAL CALL FOR TENDERS

The Directorate for Production is launching a national and international call for tenders for the supply of:

Equipment for the installation of a surface gas lift (cocks and fittings, connections and cathodic protection).

This call for tenders is intended for manufacturing companies only and excludes amalgamations, representatives of companies and any other intermediaries etc, in conformity with the provisions of the Law No. 78-02 of 11 February 1978, with respect to State Monopoly on Foreign Trade.

Tenderers interested in this call for tenders may obtain the specifications direct or through their embassy from SONATRACH—Direction Production—8, Chemin du Réservoir HYDRA - ALGER (ALGIERS) Département Approvisionnement et Transport (Department for Supplies and Transport), with effect from the date on which this notice is published, together with remittance in the sum of: 200 DA.

Offers, of which 12 copies should be prepared and sent in a double sealed envelope, by registered post. The outer envelope should be worded as follows:

"APPEL D'OFFRES NATIONAL ET INTERNATIONAL"
(NATIONAL AND INTERNATIONAL CALL FOR TENDERS)
No. 019/83/DAT/PRD

"A NE PAS OUVRIR CONFIDENTIEL"
(DO NOT OPEN CONFIDENTIAL)

The closing date for receipt of tenders is 60 days with effect from the publication of this notice.

Selection will be made within 180 days of the closing date of this Call for Tenders.

THE WEEK IN THE COURTS

How the law supports official secrecy

THE EDITOR of the Guardian, having reluctantly handed over the copy of the secret memorandum from the Secretary for Defence which explained how the Government should handle publicity about the arrival of cruise missiles, was understandably despondent that the courts failed to provide protection for this newspaper's source in relation to a document that was contextually innocuous.

It was conceded that the publication did not jeopardise national security. The law's concern (some would say obsession) was with the betrayal of trust by some anonymous civil servant.

The nub of the problem before the Court of Appeal last week was that the law endorses, and apparently approves, the constitutional position that government in Britain is not open. Everything that emanates from government sources is secret, except that which it suits someone in officialdom to reveal—by covert means if necessary.

In short, the Government is the sole arbiter of what is fit for the public to see. If it chooses to mark its documents secret, confidential, or for limited circulation, it puts the legal seal on the information, whatever its content.

But are the courts driven into such an extreme position whenever faced with a claim to return a leaked document, or for disclosure of a source of information?

The lower court put the Government's case for immediate handing over of the leaked document as ownership under the copyright laws. Mr Justice Scott was less emphatic about the claim to return under the provision of section 10 of the Contempt of Court Act 1981.

That section provides: "No court may require a person to disclose, nor is any person guilty of contempt of court for refusing to disclose, the source of information contained in a publication for which he is responsible, unless it be established to the satisfaction of the court that disclosure is necessary in the interests of justice or national security or for the prevention of disorder or crime."

While Mr Justice Scott was content to say this provision had no bearing on a claim to the document by an owner, the Court of Appeal switched the emphasis of the law on to the statutory exceptions to non-disclosure. Sir John Donaldson, Master of the Rolls, and Lord Justice Slade were not disposed to say positively that the Guardian was entitled to invoke the contempt laws, even against a clear claim to ownership.

There was at least a crumb of comfort, however, in the judgment of Lord Justice Griffiths, who was prepared to say that the court had a discretion to order delivery of a document for which ownership was established. The Press had attached importance to its right to protect its sources of information and the courts had generally upheld such a claim. By enacting Section 10 of the Contempt of Court Act 1981, Parliament had acknowledged the Press claim.

Lord Justice Griffiths saw no objection to giving the section the widest construction in entitling the Guardian to protection. The crucial issue was whether the interests of national security demanded that the source of the document should be unmasked, if indeed the markings on the document would assist the search for the culprit.

Assuming that the House of Lords, if it hears an appeal, was to give a liberal construction to Section 10, what would the Law Lords say about the Government's claim that it was in the interests of national security that untrustworthy servants should be traced and disciplined?

It is clear law that a servant, be he a government servant or any other employee, is under an obligation not to disclose information or documents received in confidence. The more so when he is a civil servant handling highly sensitive material that declares its secrecy.

Is such an obligation absolute? Supposing the document clearly indicated corruption: is the civil servant bound not to reveal the information? If the misconduct of a minister was of such a nature that it ought, in the public interest, to be disclosed to others, would the courts say it was in the interests of national security that the leaker should be revealed?

One judge in the last century expressed the law's attitude in a pithy phrase: "There is no confidence as to the disclosure of iniquity."

The Court of Appeal, some 15 years ago, held that a former employee might properly resist a claim for delivery of confidential documents which had been leaked to a national newspaper on the grounds that the employee had exposed breaches by the employer of the Restrictive Trade Practices Act 1956 in failing to register agreements with other employers to keep up pricest. If a civil servant handed over secret documents that revealed a Watergate situation in government, would the courts not feel that there was an over-riding interest in publication and in the protection of the newspaper's source of information?

The balancing of such competing public interests may still, as the law stands, not resolve the issue in favour of non-disclosure. Of the three members of the Court of Appeal, Lord Justice Slade alone considered that disclosure was necessary in the interests of justice. He did not advert to another ground of exclusion from protection of the source of information, the prevention of crime. But Lord Justice Griffiths did allude to the Official Secrets Act 1911; section two of that Act makes it an offence for any official to disclose anything he has learnt in the course of his job unless he has permission from a senior official.

That notorious section has become the foundation of government secrecy. It is the Damoclean sword that hangs over every civil servant. The Franks Committee in 1972 recommended its replacement by narrower and more specific provisions. Nothing has been done to implement that recommendation.

The Labour Party, in its manifesto of 1974, promised to replace it "by a measure to put the burden on the public authorities to justify withholding information"—a promise on which the Labour Government of the late 1970s reneged. But it is well known that the courts dislike the all-embracing scope of the section. Hence the courts unwillingness to invoke it against the Guardian.

What the Court of Appeal has done is to say that any breaches of trust by civil servants in disclosing unauthorised information, which by definition constitute a crime under the Official Secrets Act, infringe on the interests of national security. But if section two was wholly or partially replaced, such that some unauthorised disclosure of innocuous material was no longer caught by official secrets legislation, the courts would have to rethink the full scope of the interests of national security.

The fact that the memorandum leaked to the Guardian was not jeopardising national security would become highly relevant to the question whether non-disclosure should be upheld. In the court's discretion no crime would have been committed by the disloyal civil servant, and the interests of security within the Civil Service would not then override the public interest in the press being entitled to protect its sources of information.

** Secretary of State for Defence v Guardian Newspapers. Times Law Report, December 17 1983.*
† Initial Services v Putterill [1968] 1 QB 396.

Justinian

APPOINTMENTS

Arbuthnot Properties chairman

Mr Martin T. Myers, who was appointed to the board of Arbuthnot Properties—an associated company of the Dow Scandia group—earlier this year, has been appointed chairman and chief executive of the company. He has also acquired a substantial shareholding in Officescape, a subsidiary of Dow Scandia Holdings, and has been appointed to its board. **Mr Roger Hamilton Brown**, chairman and chief executive of the Officescape Group has joined the board of Arbuthnot Properties. **Mr David C. Fahie**, formerly projects manager with Land Securities (Management) has joined Arbuthnot Properties to manage all aspects of the development programme and assist the chief executive.

★

Mr Charles Auld, chief executive, grocery products division, **Mr Vernon Brook**, group personnel controller, and **Mr Tony Williams**, chief executive, foods division, have been elected to the board of DALGETY UK from January 1. Dalgety UK formerly called Dalgety Spillers, is the UK regional company of Dalgety.

★

Mr David Garratt, sales director of COMAG, has been appointed to the board of directors. He has been with COMAG since March 1982.

OILFAB, the Aberdeen-based engineering service group has appointed **Mr Lindsay Anderson** as chairman. He will be responsible for corporate development and marketing in the UK and overseas. He is succeeded as managing director by **Dr Gilbert Herries** who has been a director of Oilfab since 1975. The company, previously operated in two divisions, will now have four: engineering services; project services; technical services and equipment services.

★

Mr Noel Moore has been appointed managing director of TREETEX ACOUSTICS, specialists in the design and supply of suspended ceilings. He previously spent four years with Ruberoid Building Products as marketing director, responsible for all sales anl marketing functions.

★

Mr Ron Golding, marketing and sales director, has been appointed to the board of W. H. DEANE (HIGH WYCOMBE), part of the Glaxo Group.

★

Mr David J. Bennett has been appointed general manager of LEWIS FREEZING SYSTEMS, a division of Spooner Industries, part of the Sandvik Group.

★

Mr Edwin 'Nick' Carter, formerly managing director of Waterlow London and of Metcalfe Caldwell, has been appointed a director of FINANCIAL PRINT AND COMMUNICATIONS.

★

BRYANT HOLDINGS has appointed **Mr Paul Jillard** as managing director of Bryant Properties, a wholly-owned subsidiary responsible for commercial and industrial development. He was previously a director.

★

Mr A. W. (Sandy) Cheyne has been appointed deputy chairman of TAYLOR WOODROW ENERGY, in addition to his duties as joint managing director of the company. Mr Cheyne joined Taylor Woodrow in 1948 and has previously been a director of Taylor Woodrow International. He has been a director of Taylor Woodrow Construction since 1972, is chairman of Taylor Woodrow Plant and president of Taywood Mining, which operates coal mines in the U.S.

★

On January 1 **Mr Douglas Sarchett**, a director of Gartmore Investment Management, and **Mr Charles Cayzer** will be appointed to the board of BRICOMIN INVESTMENTS, a wholly-owned subsidiary of the British and Commonwealth Shipping Co.

★

Mr George L. J. Hayes has been appointed a director of BERNARD MATTHEWS.

★

TEDDINGTON INDUSTRIAL EQUIPMENT has appointed **Mr Peter Hunter** as production director. He has been with the group for 28 years.

★

RICHARDS, LONGSTAFF (HOLDINGS) has made the following appointments from January 1, 1984 to the board of Richards, Longstaff (Insurance)—**Mr R. C. Rickard**; to the board of Richards, Longstaff—**Mr B. A. McKenna, Mr J. G. Ruck Keene, Mr S. M. Searle** and **Mr G. G. Watson**; to the overseas divisional board of Richards, Longstaff (Insurance)—**Mr W. D. Ashley** and **Mr P. D. Duckling**; to the marine divisional board of Richards, Longstaff (Insurance)—**Mr P. R. Churchill** and **Mr P. Paetow**; as associate directors of Richards, Longstaff—**Mr G. R. W. Carter** and **Mr R. M. Smith**.

★

Mr Richard Grenfell has been appointed company secretary of LONRHO TEXTILES. He joins from Ellerman Bee Line, where he was financial controller.

★

Waterways board chief

The Environment Secretary has appointed **Mr Leslie Young** to succeed **Sir Frank Price** as chairman of the BRITISH WATERWAYS BOARD from July 1. Mr Young will continue as chairman of the Merseyside Development Corp until October 31. Mr Young is chairman and chief executive of J. Bibby, a post he relinquishes on June 30.

SWISS REINSURANCE CO. (UK) has appointed **Mr John R. Coomber** as actuary from January 1. **Mr Alex F. B. Leonard** will be promoted to assistant general manager, heading the management services division.

★

The Smiths division of NABISCO BRANDS has appointed **Mr Andrew King** as marketing director. He joins from Bulmers where he was general manager, marketing.

★

Mr H. K. Bradbury, financial controller, has been elected to the board of the LANCASHIRE EVENING POST.

★

ALCAN INTERNATIONAL, R and D arm of the Alcan Aluminium group, has appointed **Mr Peter Band** as programme director for the UK laboratories at Banbury and Chalfont Park. He was at Alcan Plate as technical director.

★

PROFILE CONSULTING has appointed **Mr David Russell** as director responsible for the financial and company appraisal division, and **Mr David Rolls** as director responsible for the manufacturing cost reduction division.

★

Mr Rod Tipple has been apointed to the board of E. R. HOLLOWAY as marketing director from December 29. He joined earlier this year from Unilever.

★

Dr Frank Abramson has been appointed an assistant general manager at WILLIAMS AND GLYN'S BANK from January 4.

★

Mr Graham Jones, managing director of Pergamon InfoLine, has been appointed managing director of WATERLOW PUBLISHERS. He will remain managing director of Pergamon InfoLine, whose operations in the directory field are closely allied to those of Waterlow Publishers.

★

INDEPENDENT RADIO NEWS has a new editor. **Mr David Wilsworth**, formerly a duty editor with IRN, takes over from **Mr Peter Thornton**, who has been appointed editorial director of LBC, the London independent radio station, and IRN.

★

Mr Anthony C. Purkis has been appointed marketing director of RUBEROID BUILDING PRODUCTS from January 1. He joins from Prodorite, a subsidiary of Revertex Chemicals, where he was managing director. He replaces **Mr Noel Moore** who has resigned to join TREETEX ACOUSTICS as managing director.

★

PYKE HOLDINGS has appointed **Mr Adrian Bazar** as financial director.

★

Mr John B. Toole has been appointed to the board of NORTON OPAX from January 1. He is a director of the Broadprint Group which was recently acquired by Norton Opax.

Sony Broadcast managing director

SONY BROADCAST has appointed **Mr Jeff Meadows** as managing director designate. He will take up his appointment in Basingstoke on February 1. Mr Meadows comes to Sony from NBC, New York, where he was vice president, engineering and technical services, responsible for development, design and installation of technical facilities for the NBC network generally and the electronic maintenance of their New York facilities.

★

Mr Robert K. Lindell has been appointed vice president and managing director of CHASE BANK AND TRUST COMPANY (CI) and vice president and general manager of The Chase Manhattan Bank, NA Channel Island branch offshore banking unit. He was appointed assistant general manager in 1976 for Chase's branch in London in charge of financial industries.

★

Mr D. Sykes will be retiring as managing director of ELDER DEMPSTER LINES on July 31. He will be succeeded by **Mr K. H. Birch**, who is trade director. Elder Dempster is part of Ocean Transport and Trading and Mr Birch will be joining the group's marine division board from January 1. His position as trade director will be taken by **Mr R. P. Gregory**, who is at present serving the company in West Africa.

★

Lloyd's Register deputy chairman

Mr H. J. C. Browne, a director of John Swire and Sons, has been elected deputy chairman of LLOYD'S REGISTER OF SHIPPING. He was also elected chairman of Lloyd's classification subcommittees. He succeeds **Mr P. B. Arthur** who is retiring at the end of June, 1984. As deputy chairman-elect, Mr Browne will join the general committee of Lloyd's Register and the executive board from January 1.

★

AL-MAL INTERNATIONAL has appointed **Mr Christopher Webb** as chief Eurobond trader. He was previously adviser on Euromarkets to the Taiyo Kobe Bank Group.

★

STROUD RILEY DRUMMOND has made the following appointments: In the leisure fabric division incorporating Stroud Riley International—**Mr Michael Miskell**, assistant managing director; **Mr Philip Stott**, production director; **Mr Tony Lister**, developments director; and **Mr David Maden**, accounts director. In the worsted fabric division incorporating James Drummond and Sons and J. Haywood and Sons—**Mr Leslie Mettrick** has become operations and production director. Following the recent acquisition of Longbottoms (Sowerby Bridge) which has now become part of the worsted fabric division—**Mr S. M. Simmonds**, group chief executive; **Mr R. M. Stroud**, group managing director; **Mr B. S. Levi**, group sales director; and **Mr E. E. Taylor**, group financial director.

★

OCEONICS GROUP has appointed **Mr Nigel Jones** as financial director of the Geosite Survey Group division.

★

Mr T. R. Paris has been appointed to the board of KEY TERRAIN, a Reed building products company.

★

MARANELLO CONCESSIONAIRES has appointed **Mr Kenneth F. Lee** as technical director with responsibility for engineering matters and all aspects of customer service with the exception of parts. He is also chairman of F. English — Ford main dealers in Bournemouth — and will continue to hold this position in a non-executive capacity for the foreseeable future.

★

The following promotions have been announced by CONTINENTAL ILLINOIS NATIONAL BANK & TRUST COMPANY OF CHICAGO for Europe/Africa-Middle East group in the London office: **Mr Richard E. Jones** becomes a vice-president; previously he was a second vice-president. **Mr James G. Larkin** has been promoted to second vice-president. **Mr Andrew W. Howieson**, who joined Continental Bank as audit manager for the Europe/Africa-Middle East region in August, has been named a second vice-president. In Continental Illinois Leasing Corp., **Mr Andrew Bell** is made a second vice-president.

★

Booker McConnell's specialist wine trading companies will be integrated into a new company, EUROPEAN VINTNERS from January 1. It will be responsible for Italvini, France Vin, BWA Deutschwein, Espavino and International Wine Distributors. The board will be **Mr Joe Crick** (managing director), **Mr Bill Page** (deputy managing and trading director), **Mr Des Glen** (finance), **Mr Daniel Martell** (services) and **Mr Gianni Castagno** (buying director—Italy).

★

DSM has appointed **Mr R. D. Hall** as marketing and sales director of ADDISON POLYTHENE FILM PRODUCTS. He was director of sales with Arthur Guinness Son and Co.

This week's business in Parliament

TODAY

Commons: Motion for Christmas adjournment. Proceedings on Consolidated Fund Bill.

Lords: Cable and Broadcasting Bill, second readings. Question on legislation on electric residual circuit safety devices.

Select Committee: Treasury and Civil Service—subject: the Government's economic policy, Autumn Statement. Witness: Mr Nigel Lawson, Chancellor of the Exchequer (room 15, 4.30 pm).

TOMORROW

Commons: Health and Social Security Bill, second reading. Motions on social security: Orders on (Contributions) Amendment (No. 6); (Treasury Supplement to Contributions); and (Contributions, Re-rating). Motions on Fisheries (Amendment) (Northern Ireland) Order.

Lords: Fosdyke Bridge Bill, committee. Tourism (Overseas Promotion) (Scotland) Bill, committee. Roads (Scotland) Bill, committee. Somerset House Bill, committee. Amusement Machines Bill, committee.

WEDNESDAY

Commons: Housing and Building Control Bill, remaining stages.

Lords: Consolidated Fund Bill, all stages. Foreign Limitation Periods Bill, report. Coal Industry Bill, second reading and remaining stages. Eligibility for Release on Licence Order 1983, motion for approval. Repatriation of Prisoners Bill, second reading. Employment Protection (Variation of Limits) Order and the Industrial Training Levy (Construction Board) Order, motions for approval. Eurocontrol (Immunities and Privileges) (Amendment) (No. 2) Scheme, motion for approval. Motions for approval: the Agricultural and Horticultural Co-operation No. 2 and and No. 3 Schemes 1983. Animal Health and Welfare Bill, second reading.

THURSDAY

Commons: House meets from 9.30 am until 3.30 pm and then adjourns for Christmas recess until Monday, January 16, 1984.

BASE LENDING RATES

A.B.N. Bank	9 %	■ Hambros Bank	9 %
Allied Irish Bank	9 %	Heritable & Gen. Trust	9 %
Amro Bank	9 %	■ Hill Samuel §	9 %
Henry Ansbacher	9 %	C. Hoare & Co. †	9 %
Arbuthnot Latham	9 %	Hongkong & Shanghai	9 %
Armco Trust Ltd.	9 %	Kingsnorth Trust Ltd.	10 %
Associates Cap. Corp.	9½%	Knowsley & Co. Ltd.	9½%
Banco de Bilbao	9 %	Lloyds Bank	9 %
Bank Hapoalim BM	9 %	Mallinhall Limited	9 %
BCCI	9 %	Edward Manson & Co.	10 %
Bank of Ireland	9 %	Meghraj and Sons Ltd.	9 %
Bank Leumi (UK) plc	9 %	Midland Bank	9 %
Bank of Cyprus	9 %	■ Morgan Grenfell	9 %
Bank of Scotland	9 %	National Bk. of Kuwait	9 %
Banque Belge Ltd.	9 %	National Girobank	9 %
Banque du Rhone	10 %	National Westminster	9 %
Barclays Bank	9 %	Norwich Gen. Tst.	9 %
Beneficial Trust Ltd.	10 %	R. Raphael & Sons	9 %
Bremar Holdings Ltd.	9 %	P. S. Refson & Co.	9 %
Brit. Bank of Mid. East	9 %	Roxburghe Guarantee	9½%
■ Brown Shipley	9 %	Royal Trust Co. Canada	9 %
CL Bank Nederland	9 %	Standard Chartered ‖	9 %
Canada Perm't Trust	10 %	Trade Dev. Bank	9 %
Castle Court Trust Ltd.	9½%	TCB	9 %
Cayzer Ltd.	9 %	Trustee Savings Bank	9 %
Cedar Holdings	9 %	United Bank of Kuwait	9 %
■ Charterhouse Japhet	9 %	United Mizrahi Bank	9 %
Choulartons	10½%	Volkskas Intnl. Ltd.	9 %
Citibank Savings	¶10½%	Westpac Banking Corp.	9 %
Clydesdale Bank	9 %	Whiteaway Laidlaw	9½%
C. E. Coates	9½%	Williams & Glyn's	9 %
Comm. Bk. of N. East	9 %	Wintrust Secs. Ltd.	9 %
Consolidated Credits	9 %	Yorkshire Bank	9 %
Co-operative Bank *	9 %		
The Cyprus Popular Bk.	9 %		
Dunbar & Co. Ltd.	9 %		
Duncan Lawrie	9 %		
E. T. Trust	9½%		
Exeter Trust Ltd.	10 %		
First Nat. Fin. Corp.	11 %		
First Nat. Secs. Ltd.	10½%		
Robert Fraser	10 %		
Grindlays Bank ‡	9 %		
■ Guinness Mahon	9 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 5.5%. 1-month 6%. Short-term £8,000/12 months 8.1%.
† 7-day deposits on sums of: under £10,000 5½%, £10,000 up to £50,000 6½%, £50,000 and over 7½%.
‡ Call deposits £1,000 and over 5½%.
‖ 21-day deposits over £1,000 6½%.
§ Demand deposits 5½%.
¶ Mortgage base rate.

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

POLITICIANS and business leaders have long since contended that making full use of new technologies in industry and commerce means greater prosperity for the average citizen. The problem is that not many individual citizens see themselves as "average" enough to benefit personally.

Perhaps we all ought to be motivated to change our working habits by the prospect of becoming richer instead of poorer than other countries as a nation. But we evidently aren't. What moves us as human beings is the prospect of falling behind or getting ahead of the Joneses next door. That is the criterion by which we mainly assess our likely gains or losses from new technologies.

Most of the public have little power to decide how they will be affected because the way the latest developments are applied will be determined by the minority working as decision-*makers and supporting* specialist managers in employing organisations. And judged by their efforts to date, they mean to see that the people who gain are managers. They are largely applying the latest advances in remote control and automated processing as a replacement for shop- and office-floor workers.

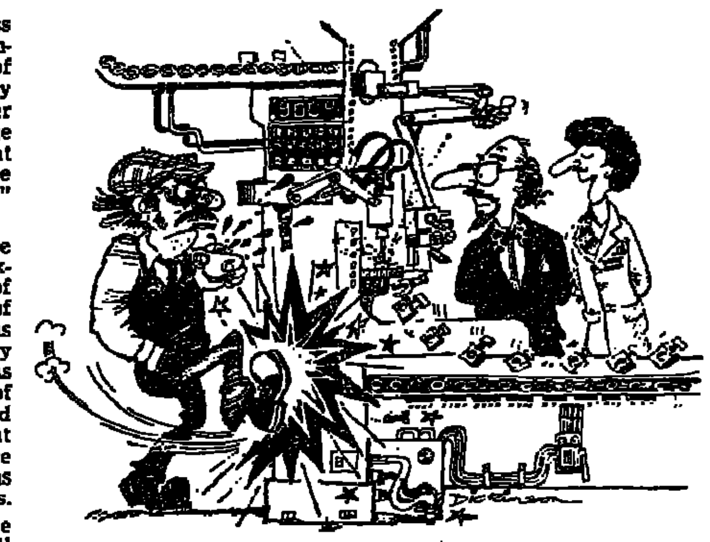
In doing so they may well be chipping away their own career prospects even though, to managers who view their job as controlling those under them to produce the results required by those above, substituting machines for workers might seem the natural course of events.

That, after all, has been the effect of the technological developments of the past. Besides, a major obstacle to the controllers' success is the fact that as well as being not rational, human subordinates are not constant in their standard of performance nor always obedient. The new systems *are* all three.

But there is another way of looking at the role of management. It is to view the job, not as pre-determining and *controlling the operations of* inferiors, but as supporting the organisation's front-line producers and sellers.

One of the senior executives who take the second view is Frank Kenaghan, director of manufacturing and distribution at Carreras Rothmans.

When he joined the company in 1977, he told the recent Institute of Personnel Management conference, "its manufacturing facilities could no longer cope with sales demand. Industrial relations were rather bad. And because of earlier cash problems there were few managers and no trainee managers being developed."



"Not only does it keep him happier but he's also improved the machine's output by 90 per cent"

Technology: the human factor

BY MICHAEL DIXON

Today the company turns out twice as many cigarettes for each person employed. The unit production cost has been cut by a quarter since 1978-79. There are four fairly well managed factories where there used to be two, and the older plants are achieving similar output with less than two-thirds of their former workforces amid much improved industrial relations.

"That is a very good record. I glow when I reveal it," Kenaghan said. "Yet on joining I was not an expert at cigarette manufacturing, was not equipped to make these changes, and I could not and did not effect the change."

His role throughout has been to hold discussions with his middle managers (which is different from just informing them) about the current state of affairs, what would be a feasible better position, and how the company could get to it. He also "needed to give them authority to achieve what was agreed."

But he emphasised that the middle rankers were no better equipped than he was, either technically or managerially, to *apply their authority by trans*lating the agreed targets into new operating practices and controlling the shop-floor workforce in their use. The middle managers had "joined as operators or fitters within the past three years, knowing nothing of the industry."

The success was evidently rooted in their and his own realisation that "the wealth-creators in the factories are the operators. We have recognised that our management job is to assist *them to perform well*— not to tell them what to do," Kenaghan declared.

From their broader perspective, he and his senior and middle-rank colleagues can come up with hypotheses for improving shop-floor performance, and test and refine them into definite plans. But the proposed aims and procedures are discussed and agreed with all the workers affected before being adopted.

"Most people enjoy doing a good job. But they do want to think that the job, the performance, the environment, are sensible — allowing them to contribute," the Carreras Rothmans director added.

The contrast between Kenaghan's view and the one prevailing among the present generation of executives echoes an argument fairly widespread in managerial quarters some 15 years ago. Its basis was the *finding by the American psycho*logist Douglas McGregor that managers tended to hold one of two extreme views about their subordinates.

The first view, which McGregor termed Theory X, is that people have an inherent dislike of work. So unless they are controlled by others with power to punish them, they will rarely accept the responsibility for doing work well and will usually skimp their efforts.

Its opposite, termed Theory Y, is that work is as natural to people as play or rest. So if they are respected as humans and allowed to take a personal interest in the job, they will not just accept but seek responsibility for doing it well.

In the economically balmier days of the late 1960s, most executives who spoke at management conferences seemed to look on Theory Y as the better prescription for company success. And although Theory X has largely submerged it during the subsequent years of recession, the Y alternative is not only still just as valid. It has been given added force by a difference between the new technology and its preceding developments.

They mostly enable machines programmed by intellectually trained managerial staff to attain successively better results than human hands were capable of. But the latest advances permit purely automatic performance to be improved on by people with the sort of practical skills which, for all we owe to them, our language can describe only as a "nose" or a "feel" *for the activity concerned.*

For instance, the new machine tools with their own in-built computers can still be run by a standard programme to give a highly accurate result. But it has been proved that they can achieve even better quality when operated by someone with a "feel" for the particular job in hand who has also been trained in the programming skills required to adjust the machine accordingly.

Applying the new technology so as to help front-line workers to use their talents and redefining management's role as support would, of course, mean trouble for a fair number of managers.

But a worse thinning of the ranks would seem to be threatened by the use of the latest advances to replace subordinate people. If managers are controllers, then the more that goods and services are supplied by obedient machines—and even sold by means of two-way links between the supplier's database and potential users— the fewer the managers companies will need.

The main reason why so many middle managers are employed today is that the shop- and office-floors at the bottom are trod by wily self-willed humans apt to scramble the plans of the senior management at the top, and not least because they are bored to tears by their jobs.

American car design

'Extravagant, sensual, custom-made bodies'

"The most exhaustive and inventive probing of the consumer's id by an industry ever."

"Symbols of a massive public fantasy to which most of the citizens of the U.S. subscribed, and to which a large part of the rest of the world aspired." PURPLE PROSE indeed. Racily ungrammatical, too. But perfectly appropriate, for it describes a most extreme example of the ability of big business to create dreams and fantasies among consumers, and then to satisfy (or exploit) them.

One hardly needs three guesses to realise that the subject of all this hyperbole is the protracted past excesses of the American motor industry.

As the "dream machines" of the 1930s, '40s, '50s and '60s (until Ralph Nader and consumer cynicism got to work), the Cadillacs, Chevies and Buicks of those days rapidly came to represent almost every possible styling cliche: with gleaming chrome, two-tone paint, tail fins to make the cars look like aircraft or rockets, and all the other baggage of hard-sell overstatement.

The image these General Motors cars created has lasted ever since, vying continually with a diametrically opposed European approach — the intellectual idea that restrained form should "follow" a machine's stark function — to create a dominant pattern of industrial design for all sorts of products.

Basically wedded to its indigenous traditions since the 1940s, European design is only now swinging towards the jokiness and frippery so familiar to Americans for so long.

It is this shift away from Bauhaus severity which makes so timely Stephen Bayley's new book, "Harley Earl and the Dream Machine," from which the quotations above are taken.

As the man who put General Motors' idiosyncratic designs on the map from the late 1920s right through to his death in 1969 and created ricochets throughout the worlds of marketing and design, Earl probably has been "the most influential designer of the 20th century," as Bayley calls him. But as someone who saw design purely as styling — as having almost nothing to do with the functon of a product — Earl probably also did unparalleled harm to the "clout" of the design profession, and particularly to the willingness of marketing professionals to harness its much deeper potential.

Unlike many of America's most influential designers in the first half of this century — illustrators, stage designers, and so forth — Earl's training was not in graphic design but in a "heavier" discipline: coachbuilding. But this did not deter him from treating design as purely a cosmetic exercise — rather the reverse, since the Earl family coachbuilding business pandered particularly to the whims and fancies of rich Hollywood film stars who wanted extravagant, sensual, custom-made bodies.

It was this ability to create dreams, and satisfy them, which Alfred P. Sloan, the legendary founder of General Motors, so appreciated in Earl. At a time when Henry Ford had been offering consumers any car they liked, so long as it was black (and boxy), Earl was a key weapon in Sloan's strategy of product differentiation (as it has since come to be called).

To today's designers, almost all of whom crave influence over their marketing and engineering colleagues, Earl represents the perfect model. In breathless tongue-in-cheek prose, Stephen Bayley paints him as intimidating to an extreme degree: "Earl was physically huge, a fact which discouraged any animated exchange" with him. He would attend meetings sprawled in a fashionable chair (oddly enough, by a Germanic Bauhaus master), and "would point to offending details with a foot clad in hand-made English shoes."

Top to bottom: 1959 Impala; Chevrolet Impala coupe; and 1956 Cadillac Sedan de Ville

With this and his fetish for changing clothes several times daily, "in just about everybody's estimation it was as if he was in permanent audition for the 'Most Unforgettable Man I Ever Met' series," reports Bayley.

It is the irreverence of Bayley's style which makes his lavishly illustrated book so much more than just a disbelieving but admiring biography of an ogre. A design historian whom Terence Conran plucked out of academic obscurity to administer his handsomely-endowed and controversial Boilerhouse gallery at London's Victoria and Albert museum, Bayley is perennially ready to bite the capitalist hand which feeds him, and also to call a spade a shovel. Just savour this nugget about America in the 1950s:

"The consumer was so near satiety the manufacturers feared that the end result would be the unthinkable consequence that satisfied consumers would forget the itch of demand. So they set about to dissatisfy the consumer by bringing before him every more novelty to excite his cupidity and, by extension, to keep the mechanism of wealth turning."

**Weidenfeld and Nicolson. Price £12.50 cased, £8.50 paper.*

Christopher Lorenz

TECHNOLOGY

EDITED BY ALAN CANE

RD PROJECTS SEEKS MORE FUNDS

Automation successes for university spin-off

ALTHOUGH IT has been in action only for about 18 months, RD Projects of Nine Elms in London has several automation schemes nearing fruition and is seeking a second tranche of cash from the City.

Some 13 founder members provided an initial £250,000. Although this has not been used up, the company believes it needs a further £1m to bring several projects to the point where they can earn profits.

Run by Frank Craven, a manufacturing engineer who used to work for Alfred Herbert, and chaired by Sir Hugh Ford Emeritus Professor of Mechanical Engineering at Imperial College, the company was set up in April 1982 to exploit speculative ideas from Dr Colin Besant and others at Imperial College.

The first success was in August when RD Projects signed a licence agreement with Thorn-EMI. This granted Thorn-EMI the rights to manufacture and sell continuous-path robots to the design of RDP.

In addition, nearing completion is a project for a colour screen-based machine tool controller to which Prutec has committed £250,000 subject to certain performance by RDP. Prutec is the venture capital arm of the Prudential Group.

The development is intended, among other things, to revitalise some 400 Batchmatic three-axis machine tools (a design that originated in the old Alfred Herbert company). It will allow the user to set up the complete production of parts on an interactive colour screen next to the tool.

He enters the part dimensions on the keyboard and the size of the blank from which it will be machined. Both outlines immediately appear on the screen in different colours. The software then sorts out cutting paths (also seen on the screen *in another colour*), *tools*, speeds, feed rates and other data from its database, accumulating data that will operate the tool.

Craven says that the controller "more than matches the best Japanese practices and is almost ready for market launch." He claims there is no UK maker of CNC control systems left of any standing and believes that the RDP system should sell well in Europe, largely because of its communications abilities.

Another joint development with Imperial College is an automated guided vehicle (AGV) which is believed to use laser guidance.

ELECTRONIC FUNDS TRANSFER ISSUES NEED AIRING

Retailers must speak out

BY GEOFFREY CHARLISH

ACCORDING to Dr Gil Jones, who is director of the Retail Management Development Programme (RMDP) in Brighton, retailers in the UK need to form a much more widespread and united front to put their case publicly over the question of EFTPOS (electronic funds transfer at the point of sale).

EFTPOS, which might move into a serious experimental phase in two or three years, is a technique in which the shopper pays no cash but instead pushes a card into a slot. The card's magnetic stripe is scanned electronically while the shopper is keying in a personal identification number (PIN) in privacy on a customer keyboard.

If the two lots of data tally and the customer has sufficient funds, his account is directly debited at the bank. At the same time the terminal will collect sales data for in-store management use (a task already carried out in many stores by terminals dedicated to the task).

In discussions so far says Jones, the banks have been dominant, "a situation that could be unhealthy for all — including the banks." According to Jones, a power vacuum currently exists in the retail lobby. He thinks that retailers are "not sufficiently together" to mount effective representation either politically or technically.

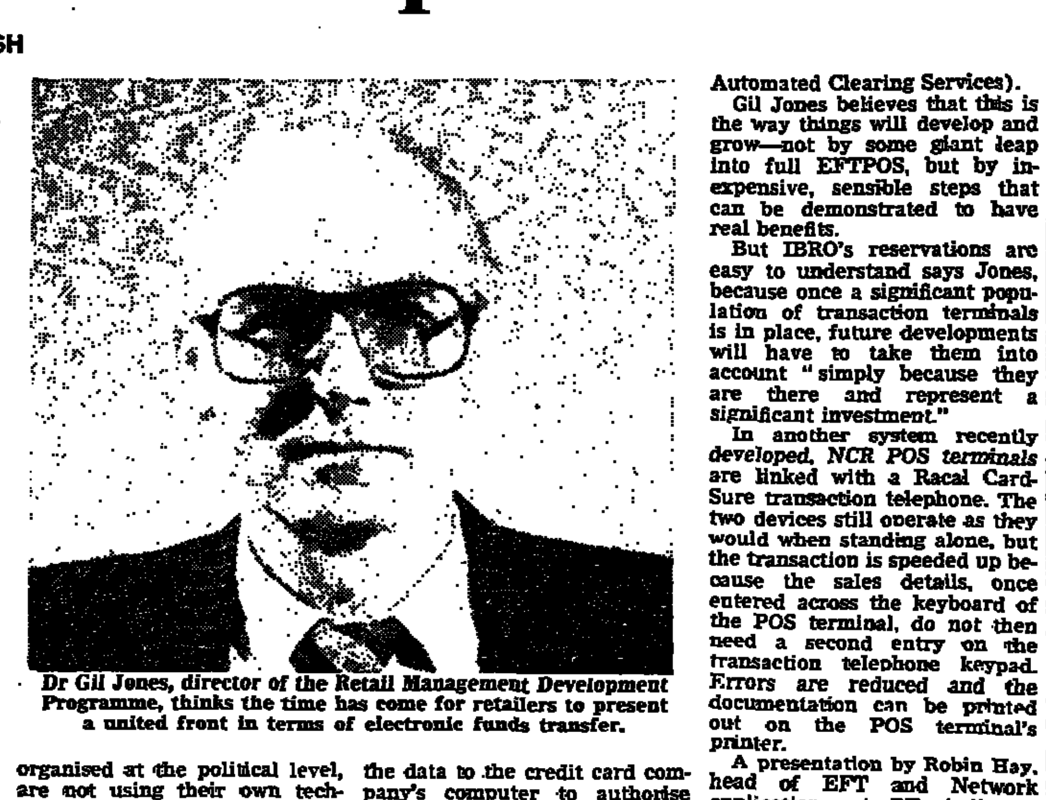
Jones pointed out that after all, the industry had found it possible to come together over bar coding and the setting up of EAN (European article numbering). Why not over EFTPOS?

This, and a good deal more came out at a symposium called "Data Communications Strategy for Retailers" put on in London recently by RMDP in conjunction with British Telecom.

There were nine speakers from BT, but none from the banks or from the Committee of London Clearing Banks, CLCB. Present policy, apparently, prevented any banking spokesmen from appearing.

Moved by comments from the floor, however, Brian McCarthy, of the EFTPOS project team at CLCB, felt compelled to empha*sise that the committee was, for* example, speaking to the Retail Consortium and to a number of retailers independently. "Anyone can talk to us" he said, and even provided a phone number (01-628 3070).

Nevertheless, Jones insists that retailers are not sufficiently organised at the political level, are not using their own technical resources, and are not devoting enough time or money to solving the problem.



Dr Gil Jones, director of the Retail Management Development Programme, thinks the time has come for retailers to present a united front in terms of electronic funds transfer.

Some of them see no reason why they should. At the symposeum, for example, a delegate from Currys got up and declared EFTPOS to be "an imposition on the retailers." He felt that shopkeepers should be reimbursed by the banks for services rendered.

The "who pays?" question remains unanswered, although a Spanish experiment involving Nixdorf equipment has attracted some interest. There, the banks are buying the equipment in bulk and offering it to retailers on favourable terms.

Retailers in general in the UK have only marginal interest in card and cheque fraud prevention since it is the banks and card companies that pick up the bill.

In system terms, a "piecemeal mess" could easily occur according to Jones, if the re*tailers did not get together* comprehensively. Already in the transaction terminal could be seen a partial approach with which organisations like IBRO (the inter-bank research organisation) were not too happy.

Such a terminal accepts a credit card, reads it, and sends the data to the credit card company's computer to authorise the transaction, details of which have been keyed in by the shop assistant. In 20 to 30 seconds either the terminal receives and displays a "good" message from the central computer or *the shopkeeper* is connected to a card company official for further discussion. The terminals are, of course, an addition to any POS terminal the store might have.

At the symposium, delegates from Brown's, the fashion store, also had reservations about the phones. The requirement to pay rental was described as *"ridiculous" and there was* criticism of the customer bottlenecks that can be produced at the check out.

According to RMDP there are now some 1,500 transaction phones in use in the UK, supplied by Racal (60 per cent) and STC (40 per cent). Although they do not eliminate such things as sales voucher imprinting, *Jones nevertheless* predicts sales of 225,000 units.

Models are under development, however, that will also print a record for the storekeeper and a receipt for the customer, having stored the transaction on disc and cleared it through BACS (Bankers Automated Clearing Services).

Gil Jones believes that this is the way things will develop and grow—not by some giant leap into full EFTPOS, but by inexpensive, sensible steps that can be demonstrated to have real benefits.

But IBRO's reservations are easy to understand says Jones, because once a significant population of transaction terminals is in place, future developments will have to take them into account "simply because they are there and represent a significant investment."

In another system recently *developed, NCR POS terminals* are linked with a Racal Card-Sure transaction telephone. The two devices still operate as they would when standing alone, but the transaction is speeded up because the sales details, once entered across the keyboard of the POS terminal, do not then need a second entry on the transaction telephone keypad. Errors are reduced and the documentation can be printed out on the POS terminal's printer.

A presentation by Robin Hay, head of EFT and Network applications at BT, indicated there would be no real problem in providing the necessary communications using the new packet switching services "with some added intelligence to manage the security functions."

This is a reference to encryption and the way in which the EFTPOS data signals will be sent over the network. There will be many "nodes" in the system—collection points for the many thousands of terminals involved and a means of directing signals to the appropriate banks and card companies.

Hay said that although BT had been talking to several major computer companies there was no commitment yet. He indicated that much rested on decisions in the banking community.

But there was little or nothing to be heard from that camp at the symposium.

They might not, suggests Jones, be the final arbiters. In Belgium, the GB-Inno group has gone ahead with on-line EFT facilities and is now presenting the Belgian banks with what is in effect a fait accompli.

Could the UK banks "be left behind by pockets of progress?" Jones asks.

Agriculture

Secret of the electronic potatoes

THEY ARE disguising transducers as potatoes at the Scottish Institute of Agricultural Engineering in trying to find out why potatoes get damaged between field and shop. It's a serious problem, as about 10 per cent of the nation's maincrop potatoes is lost in this way.

The secret is to use transducers disguised as potatoes —a suitably shaped piece of *plastic foam* in which is embedded an accelerometer and a very small radio transmitter with equally small rechargeable batteries.

Etran accelerometers weighing only 0.5 gm from Thorn EMI Datatech are used; when the potato hits some obstacle, suffering rapid deceleration, the radio transmitter frequency is correspondingly altered.

A fixed receiver picks up the signals which are recorded on tape together with a verbal record on the potato's position in, say, a potato harvesting machine. Joint study of print-out and commentary allows those parts of the machine that bruise the potatoes to be identified and corrected. More on 01-890 1477.

Financial

Accounting software

MAI IS to provide its Basic Four integrated accounting software for the new Tandy personal computer, the TRS-80 model 2000.

The company sees this as a major move into one of the fastest growing sectors. Initially three software packages will be available. These are general ledger, accounts payable and accounts receivable. More information from MAI on 01-965 9731.

Computers

Graphics set for growth

THE GROWTH RATE of the computer graphics market in constant money terms over the period 1980 to 1985, compounded annually, will turn out to be 28 per cent, according to a new Strategic Incorporated study.

By 1985, that growth will have produced a market shipment value in the U.S. alone of some $6bn.

But price erosion will be severe, leading to the demise of some makers, says the research company. The likely cost of a system offering 500 x 500 pixel resolution (eight bits per pixel), with eight levels of colour, two megabytes of disc storage and an eight colour pen plotter will be under $35,000.

A sign of the times is that by 1985, Strategic predicts, the main application of electronic graphics techniques will be to display business information, rather than to facilitate computer aided design as at present.

Mechanical engineering CAD will be the second biggest market, electronic circuit CAD the third. The growth of the latter is slowing down according to Strategic, because the electronics industry adopted the CAD idea much earlier, while the mechanical engineering industries have much further to go.

Microcomputer Graphics: Impact and Opportunities; from International Planning Information, Nordre Ringvej 201, 2000 Glostrup, Copenhagen, Denmark. Price U.S.$970.

● Dataquest forecasts sales of more than US$16bn-worth of semiconductors in the U.S. next year. This demand is fuelled by the economic recovery. Memory components will have the highest growth.

THE ARTS

Architecture/Colin Amery

Capsules of convenience

At this time of the year the family's demand for exotic gifts means we all spend a good deal more time than usual pounding the pavements. In London this seasonal outing into unlikely places brings home the dismal standards of boulevard life.

A walk, which is scarcely possible, along Oxford Street is a nightmare. Apart from the throng it is the lack of any effort to make it a decent environment that makes a visit so unpleasant. Poor materials have been used to cover the pavements now they are widened — a few trees struggle for life and as for traffic management, that is nil.

A recent architectural phenomenon to hit the London streets is a curious concrete cabin that has sprouted unannounced on the London pavements. I was completely mystified by this apparently uncontrolled rash of pill-boxes.

Inquiries to Westminster Council revealed that they are in fact part of the council's "strategic convenience policy" —in fact they are the new superloos. Waves of them are due to replace those friendly old public lavatories where ancient attendants sit in glass cupboards keeping one eye on the customers and one eye on the Baby Belling. Superloos are incredibly ugly and have been spotted to date in Soho Square, Leicester Square, Victoria Street, Cambridge Circus, Paddington Street, Lumley Street and a rumoured siting has been made at Hyde Park Corner.

Apparently they are made in France from a particularly hideous kind of ribbed concrete —inside they are lined with a speckled terrazzo and the whole floor and basin is flooded with water and disinfectant after every visitor.

They are hard to beat for a twentieth century, on-the-brink-of-1984 environmental experience. The sliding door is released on the insertion of a 10p by a blast of loud pop music. On my one and only visit, under-coin, it is curved and closes behind you like a space capsule. Unless you are under 10 you are expected to be alone in this chilling cabin and it is a thoroughly gruesome experience. First of all you are not certain whether the door is locked or not—it is rumoured to fly open after a quarter of an hour.

Ashley Ashwood

The superloo: a computer-linked symbol of 1984?

But the worst aspect of a visit to one of these little monsters is not a visual one. The moment the door closes, instead of being left alone with your thoughts, you are assaulted taken for research purposes, it was an unknown woman singer screaming at me, in French. *Quelle horreur*.

* * *

This is not the time of the year to be too serious about anything—but it is the moment to ponder the year that has passed and give it a farewell wave. Architects are sending just as many cards this year but their handwriting has that slightly nervous wobble that we all feel inside when contemplating 1984.

Architects have a particular reason for a sensation of tremulous apprehension—1984 has been decreed Festival of Architecture Year. The reason has nothing to do with the apocalypse or the grim vision of George Orwell—it is the 150th anniversary of the Royal Institute of British Architects.

Starting with basics, there wil be a major exhibition in London at the Natural History Museum (from May to September) to be entitled *Animals as Architects*. Hills made by termites, honeycombs made by bees, cobwebs, birds' nests, burrows and dams will be assembled to show that for rather more than 150 years, beautiful and efficient structures and shelters have been erected without the aid of the RIBA.

I doubt whether any member of the public really cares how old the RIBA is as an institution, but they do care about architecture and environmental standards. I can never understand why the RIBA wants to be loved so much—all we expect from the professional body is the proper maintenance of professional standards and a constant battle to raise the level of architectural achievement.

One very important thing the RIBA should do more about is the teaching of architectural and environmental awareness at junior and senior schools. I can well remember that it was the RIBA Christmas holiday lectures that fuelled my interest in architecture—those early years are the ones to concentrate upon.

During the festival year there will be a series of events designed to focus attention on the achievements of the profession. Throughout the country famous landmarks will be floodlit, from June to September you will be able to pop in to your local building site—special information kiosks will be erected where you can chat to the sweating labourers. There will also be an opportunity to witness what the RIBA call "the seminal act." This is not quite as exciting as it sounds—for architects this moment happens when their ideas crystallise on the drawing board.

They will be doing their creating in public as some offices are to be encouraged to open their doors to the public.

Theatre of Memory/Festival Hall

Max Loppert

John Buller's *The Theatre of Memory* was much praised when first performed, at the 1981 Proms: the opportunity for a second hearing was delayed until last Friday's BBC Symphony concert at the Festival Hall — one of the Music of Eight Decades series, in which Mark Elder also conducted Debussy and Messiaen (with Jane Manning courageously deputising, in *Poèmes pour Mi*- for Jessye Norman). Strangely, the revival of Buller's 40-minute essay in orchestral music-drama encouraged now a less certain response: for though the combination of strong ambition, striking imagination, and fine working on many linked levels could still be admired. larger direction of the music seemed discontinuous.

Connected images — an *invocation of the Greek theory* of memory and of the forms of Greek drama in order to evoke in the listener a kind of ritualised "inner theatre"—lie behind Buller's scheme of seven linked movements played by seven soloists and an orchestra divided and reseated into seven departments. They are potent, culturally sophisticated images typical of Buller, and they have led him to a prolonged display of brilliantly achieved musical gestures.

The physical impact of *The Theatre of Memory* is immediate; there is so much of high, individual colour and temper going on that it is a while before one begins to admit to doubt concerning the underlying coherence of the piece—cumulative momentum fails to build up in the way that was obviously intended. Good that it was revived, none the less; and sad that for such an attractive concert there should be so sparse an audience.

There must be brief mention of the performance earlier in the week, at a Wigmore Hall New Macnaghten concert, of Roger Smalley's *Accord* (1975); for this massive construction, 45-minutes without break, for two pianos gave off so startling a sense of coherence, purpose, and carefully graded momentum that the comparative measurement of all other compositions in its wake was an inevitable danger. *Accord* is both an epic journey for players and audience, with the final arrival implicit yet marvellously concealed in the very outset; and a huge compendium of piano techniques, explored by Smalley with a mastery that seems at once natural and comprehensive. At the end of a reading by Keith Williams and Clive Williamson of sutained conviction and power, it is hard not to think of this as one of the small *handful of modern masterpieces* in the medium.

Peter Donohue/Elizabeth Hall

Dominic Gill

There is in fact little competion; but even if there were, I have no doubt that Peter Donohoe (b.1953) would still rank as the most gifted British pianist of his generation. The physical presence, genial but imposing, is matched by a phenomenally reliable and tireless technique that is in the most elevated sense transcendental: it takes the most fearsome virtuoso challenges in its stride, but leaves the glitter of mere note-spinning far behind. A Donohoe recital is that rare pianistic event which blends high seriousness and excitement in equal measure.

The very scale of the programes tells of uncommon resilience and stamina. Ten days ago, Donohoe played the whole of Messiaen's *Vingt regards* and Ravel's *Gaspard* in a single recital at the Wigmore Hall (enthusiastically described on this page by Max Loppert); last Friday night he returned to give a programme containing not much less than two hours of music—a group of Rakhaminov Preludes, Beethoven's op.111, and the two longest and most taxing of Prokofiev's sonatas, no.6 and no.8.

On the face of it, the choice was an odd one. Rakhmaninov would hardly seem the aptest prelude to Beethoven's last and most sublime sonata; to follow Beethoven with two Prokofiev sonatas in succession must risk unbalancing and overweighting the sequence entirely. In performance, however, the sequence was proposed and delivered with such devotion, and with such transparent lack of pretension, that it seemed both apt and natural—powerfully convincing.

The playing is not easily characterised in general terms —for its special quality lay as much in its detail as in its broad line. Donohoe's account of four Rakhmaninov Preludes was grandly stylish, high-sentiment without a trace of cloying; but more telling still was the clarity of the presentation— nothing cheated, nothing blurred or smudged, every inner voice and colour crystal clear. His Beethoven was masterly: a performance seemingly without any kind of "performer's" intervention, a direct unfettered transmission—that paradoxical, magical vanishing trick fundamental to all great interpretative are. The Prokofiev sonatas were immaculately voiced, and each one, in its own fashion, driven with irresistible rhythmic charge. Until as weekend I had heard just two truly memorable piano recitals during 1983; this was the third.

Cinderella/Lyttelton

Michael Coveney

After the mediocrity of *Jean Seberg* comes the appalling travesty of *Cinderella*. One really does begin to wonder whether anyone at the National—and it has been a very poor year on the main stages outside of Hare, Hampton and *The Rivals*— knows what he is doing. Or why. Pantomime is a very serious business. From Watford to Glasgow, and in between, you will see this Christmas the work of people who know about the genre.

Not at the National. *Cinderella* has been "adapted by Bill Bryden, Trevor Ray, and the company"—from what? The programme remains uninformative on this point. There are groan-inducing puns and couplets in the manner of Planche and H. J. Byron, and the generally vague air of Victorianism is enforced by the use of the glass slipper legend rather than the fur one, by the lighting of stage lamps, the sad attempt to break down the Lyttelton with a few pictureque artificial side boxes; by the use of popular music hall songs—"In the twi-twi-twilight" and "I like picked onions" among them.

And, not least, by William Dudley's splendid array of one-dimensional painted cloths that take us, reluctantly, from snowy winterscape, to springtime greenery, village marketplace, Hardup Hall, the curiously unatmospheric ballroom, and a final walk-down in a garden of peacock feathers.

The embalming of the Victorian panto in this way seems to me a lost cause unless done with the affection and panache of the Players' Theatre. It is not, in itself, worth wasting time or, as in this case, lots of money, on. It has to be released in the attack and artistry of the players.

Bill Bryden's company includes a charmless, harsh-voiced Cinders (Janet Dibley); two ugly sisters (Derek Newark and Robert Stephens) who cannot sing, do not operate as a duo and have no idea about engaging the audience; two thunderously unfunny brokers' men (John Tams and Jack Shepherd); and a Fairy Godmother and Scottish Demon King (Edna Doré and James Grant) who simply evaporate after the promising masque-like apparitions of the opening scene.

Audience reactions, such as they are, are totally mismanaged by the company, save for the cuddly, plumpish Buttons of Tony Haygarth. But even he cannot animate Cinderella in the mock "departure for the ball scene" which drags on for an eternity, despite the helpful suggestion from the stalls that the table cloth "cloak" needed a belt. So did the child, but let that pass.

The transformation scene is nicely prepared with a hanging cobweb, a large pumpkin, and actors disguised as mice and lizards. The use of the Cinders double is painfully obvious.

Nothing like warmth is exuded by this sorry presentation. It is a large, expensive sham which has the temerity to enter the lists of popular entertainment while resolutely, even cynically, missing the heartbeat of true panto throughout.

The RSC succeeded with *Peter Pan* last year (and will do so again, one presumes, this Christmas) because they applied some classical nous, allied to dramaturgical skill and fresh attitudes, to a piece encrusted with moribund tradition. The National dips its toe into pantomime water and stands shivering with timidity and ignorance on the brink.

The School for Scandal/Duke of York's

Martin Hoyle

John Barton's respectful, schoolmasterish and, truth to tell, slightly dull production returns to London prior to a Continental tour in the spring.

Never having seen the play before, my companion cautiously inquired in the interval if it didn't usually go a little faster. Certainly if (to quote from an earlier work) "a play makes war and prologue is the drum" the evening got off to a muffled start. Dulcie Gray's Lady Sneerwell lacked bite and what followed proceeded at an uncertain pace.

Curiously jerky rhythms may have owed something to those perversely naturalistic caesuras doubtless imprinted on Mr Barton's brain for life from his RSC days; but too often it sounded like first night uncertainty, though there was a consistency to Beryl Reid's bedizened hen of a Candour feeling for the right words, given her entertainingly uncoordinated movements and that ability to turn a coo into a snarl that remains one of her funniest assets.

Unexpected strength lies in the supporting roles. Harold Innocent's Crabtree sweeps on with a muff appended before, like a fluffy sporran that has ridden up round his waist. John Tordoff's Snake is perfectly serpentine, with a dash of Heep. Richard Kane's Backbite is bitchy without being camp.

Therein, I think, lies the production's weakness. Heaven forbid that eighteenth century comedy of intrigue should be camped up, but what this performance lacks is irony, detachment, a sense of distance.

For a moment I thought we were in for a comment on the ancien regimes when wigless Charles and his unkempt roistering companions were revealed in a tableau that recalled the painting of Rouget de l'Isle penning the Marseillaise.

Zoe Dominic

Beryl Reid (Mrs Candour) with Donald Sinden (Sir Peter Teazle)

Sure enough, Michael Siberry convinces more in his ultimate redemption than his rakishness in an intelligent performance that should beware of indulging the voice beautiful.

Clive Francis's Joseph Surface is a compact and consistent piece of work, verging on the mannered but well thought out —as in the calculated sensuality of the way he peels off Lady Teazle's glove ad plays with its fingers.

Nicola Pagett is a delight to watch, but hasn't decided whether to play Lady Teazle as a straightforwardly nice woman —a female counterpart to Moliere's honnette homme— taken in because she can't believe others could be so nasty, or a genuine country innocent.

A similar unsureness informs Donald Sinden's Peter. Very funny at times, his performance has a familiar ring. Interestingly there are hints that this Teazle could give as good as he gets, and that his bitterness springs from having been rejected by the gossips.

Untitled/Sadler's Wells

Clement Crisp

It would be an intriguing exercise to ask Friday night's audience at the Wells to suggest a title for Twyla Tharp's work which received its first performance that evening. Miss Tharp leaves us with a non-committal *Untitled*, but certain themes and strands of meaning were clear in the dense and anxious texture of the dance which uses the entire forces of the ensemble, with Miss Tharp as a compelling central figure.

The stage is inky dark—and most imaginatively lit by Jennifer Tipton—the cast, in black singlets and briefs, white shoes and socks, emerge and recede into this oblivion, their figures additionally illuminated by light bouncing from the reflecting floor-cloth. They are gymnasts, athletes, aerobic freaks. They are also dancers.

They are driven—by Miss Tharp's sharply defined movement with its fraught surface of quick naturalistic gesture; by David van Tiegham's raging rock score—to extreme physical effort. Fatigue sometimes attacks them, with Miss Tharp as a sacrificial, *Rite of Spring* victim who seems to die, but is born again.

I am inclined to see the work as a commentary upon the dancer as ultimate athlete, as both victor and victim of the body, with Miss Tharp's role even as a personal comment upon her own life-expectancy as a performer. I had regretfully assumed that latterly she had rationed her dance appearances; this season she is nightly performing with undimmed brililance with that high-wire bravura that has ever marked her style.

Not-dancing as a form of extinction seems an undercurrent of this dark and unquiet piece; dancing and "fitness" as a neurotic compulsion towards a physical ideal can also be identified with the sequences of full-powered, allusively-layered movement. But whatever the argument, and whatever the title an audience may chose to assign it, *Untitled* is superlatively danced and obsessively watchable.

The evening also included a vividly responsive account of *The Fugue*, with John Malashok, Wiliam Whitener and Richard Colton as the three stamping, whirling protagonists. Each knows to a split second what his companions are doing, and so true is their common awareness that plainly each must have eyes in the back of his head—how else to explain such machine-tooled finesse?

And to close this third Tharp programme, an adorably deft and witty performance of *Baker's Dozen*. Piano rags and white clothes; maniac partnering where things sometimes go far too far as girls drop from the wings into a chap's arms, or slide floorwards from an embrace; Sara Rudner, with her maenad curls and Ida Rubinstein profile, as the loveliest girl at a party that must never end: these are all part of an irrestible piece. Like the party, the dancing should go on and joyously on for our delight.

New season at Royal Exchange, Manchester

Major productions of four modern classics directed by four young producers form the plans for the 1984 spring and summer season at the Royal Exchange Theatre, Manchester. The productions are *Jumpers*, *Cat on a Hot Tin Roof*, *The Prime of Miss Jean Brodie* and *Carousel*.

Tom Courtenay plays the professor of moral philosophy in *Jumpers* by Tom Stoppard, first seen at the National Theatre in 1972. *Jumpers* will be directed by Nicholas Hytner making his debut at The Royal Exchange. The designer is Mark Thompson, with lighting by Mark Henderson and music by Jeremy Sams. The first work of Stoppard's to be seen at the theatre, *Jumpers*, will run from March 1 to April 7.

The second play, *Cat on a Hot Tin Roof*, is also the first by the late Tennessee Williams to be staged at The Royal Exchange. Directed by Greg Hersov, it is thought to be the first major revival of Williams's original version. It will be designed by Johanna Bryant and opens on April 12, closing on May 12.

Eleanor Bron returns to take the title role in *The Prime of Miss Jean Brodie*, adapted by Jay Presson Allen

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Music

December 16–22

LONDON

Divertimenti String Orchestra conducted by John Lubbock with Norbert Brainin, violin and Peter Schidlof, viola. Elgar, Mozart and Tchaikovsky. Queen Elizabeth Hall (Mon) (928 3191).

London Symphony Orchestra conducted by David Josefowitz with Nigel Kennedy, violin. Beethoven. Barbican Hall (Mon). (638 8891).

Ravel/Varese Festival: London Sinfonietta in association with the Royal Opera House and the BBC presents the complete works of Ravel and Varese.

BBC Symphony Orchestra conducted by David Atherton with Paul Crossley, piano. Ravel and Varese. Royal Festival Hall (Tue). (928 3191).

Allan Schiller and John Humphreys, piano duet. Mozart, Debussy, Brahms and others. Purcell Room (Tue). (928 3191).

London Symphony Orchestra and Chorus conducted by Richard Hickox. Tricentrol Christmas Festival, including Bach, Elgar, Tchaikovsky and Vivaldi. Barbican Hall (Tue and Wed).

Christopher Addington, flute d'amour and Richard Leigh Harris, harpsichord. Bach. Purcell Room (Wed).

The English Concert directed by Trevor Pinnock, harpsichord, with Simon Standage, violin and David Reichenberg, oboe. Corelli, Albinoni, Handel, Vivaldi, Bach, Telemann. Queen Elizabeth Hall (Thur).

London Symphony Orchestra and Chorus conducted by Richard Hickox. Rossini, Bach, Britten and Tchaikovsky. Barbican Hall (Thur).

PARIS

Ortrun Wenkel recital, Geoffrey Parsons, piano: Brahms, Mahler, Wagner, Wolf, Strauss (Mon) Theatre de l'Athenee (742 6727).

Nouvel Orchestre Philharmonique conducted by Georges Pretre with Barbara Hendricks, La Rence Dale, Jose Van Dam and Radio France Choir: Gounod's Messe de Sainte-Cecile, Poulenc's Repons des Tenebres (Mon) Saint-Louis-Des-Invalides Church (230 3060).

Ircam–Ensemble Intercontemporain: Stockhausen presents Stockhausen (Mon, Tue, Wed, Thur) at the Centre Georges Pompidou (278 7995).

Ensemble Orchestral de Paris conducted by Erich Bergel: Mozart, Enesco, Beethoven (Mon) Gaveau (563 2030).

Paris Trio Radio France, Patrick Gallois, flute. Pascal Roge, piano: Bach, Mozart, Malherbe, Brahms (Mon) Theatre des Champs Elysees (723 4777).

Orchestre Colonne conducted by Pierre Dervaux: Beethoven's Symphony No 5, Berlioz's Symphonie Fantastique (Mon), TMP-Chatelet (233 4444).

Wind Quintet of the Orchestre National de France: Rivier, Nielsen, Reicha, Arnold (Tue).

Edith Mathis, soprano, Heinz Medjimorec, piano: Beethoven, Brahms, Schubert, Strauss (Tue) Pleyel (561 0630).

ZURICH

Tonhalle: Tonhalle Orchestra, conductor Dennis Russell Davies, Walter Grimmer, cello: Debussy, Yun (concerto for cello), Mussorgsky (Wed). Chamber Music with the Tokyo String Quartet: Haydn, Schubert, Ravel (Thur) (201 1580).

NEW YORK

New York Philharmonic (Avery Fisher Hall): Andre Previn conducting, Pinchas Zukerman violin. Gould, Bartok, Rachmaninov (Tue). Lincoln Center (874 2424). Oratorio Society of New York (Carnegie Hall): Lyndon Woodside conducting, Ashley Putnam soprano, Rose Taylor contralto, David Britton tenor, John Shirley Quirk bass baritone. All-Handel programme (Tue). (247 7459).

Merkin Hall: The Music Project: Schumann, Mozart, Francaix, Spohr (Mon); Elizabeth Rich piano recital. All-Mozart programme (Tue); Bethany Beardslee, soprano and Richard Goode, piano recital. Schoenberg, Britten, Ravel (Wed) 67th W of Broadway (362 8719).

Christopher O. Riley piano recital (Alice Tully Hall) Beethoven, Schumann, Ravel, Liszt (Mon), Lincoln Center (307 6855).

WASHINGTON

Concert Hall: Paul Hill Chorale, Christmas Programme (Mon, Wed); Choral Society of Washington. Christmas music (Tue). Kennedy Center (254 3776).

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Monday December 19 1983

The appalling continuity

MR LEON BRITTAN, the Home Secretary, was right when he said on BBC Radio yesterday that the placing of the bomb *outside Harrods on Saturday* did not represent a change in the policy of the Provisional IRA. It was more a continuation of a policy that has been pursued for many years. When people resort to bomb warfare, there is always an element of chance. Sometimes the bombs fail to go off: sometimes they are defused in advance: sometimes they lead to the most appalling casualties. Saturday's example was one of the worst. But it was not unique.

Another episode

It is sometimes said that the IRA is at its most dangerous when it is under greatest pressure, and it may be that there is something in that argument. Certainly the terrorists seem to be under pressure at the moment; from divisions within their own ranks, from the split between the Provisional IRA and the Irish National Liberation Army, from the "supergrasses" who have turned Queen's evidence on their old masters, and perhaps from the efforts of the security forces, British and Irish, to get on top of them. But that, though interesting, is beside the point. Nothing can, and nothing should, be allowed to distract attention from the dreadful continuity of the violence. In the end there is no difference between a bomb marked INLA and a bomb marked IRA.

Both Mrs Margaret Thatcher and her Irish counterpart, Dr Garret FitzGerald, have reacted *to the weekend's events by saying* that there can be no question of change in policy in response to the latest attacks. In the narrow sense, that view is correct. It would be an absurb compliment to the IRA to change policy merely because the bombers had got through to Harrods.

Yet, in a wider sense, there comes a time when policy must be reconsidered. Perhaps it is not so much the shock of the Harrods bomb that matters as the fact that it is another episode in an apparently unending series. Existing policies, whether in the UK or in the Irish Republic, do not seem to be conspicuously successful. The best that can be said for them is that they may have prevented the violence from reaching an even higher level.

Dr FitzGerald may have something up his sleeve. The main Irish politicians, from the parties which want change by constitutional means, are now working together in the New Ireland Forum. While expectations *about its findings should* not be based too high, the forum is at least a recognition that it is up to the Irish themselves to come up with some constructive proposals about how the people of the Republic, Ulster and Britain can overcome the problems of centuries and live in peace. The forum is due to report early in the new year, and there is time to wait for what it has to say before any major policy decisions are taken.

Mrs Thatcher, however, is on *rather weaker ground*. It is not self-evident what British policy is, save to seek to reduce the level of violence and to maintain the present constitutional link with Ulster so long as that is what the majority of its population wants. Yet those are precisely the policies that have been pursued for several years with only mixed results. It is not at all clear where they are leading, except to more of the same.

Mrs Thatcher is vulnerable, too, on the ground that it is well known that Mr James Prior, the Secretary for Northern Ireland, is a man with whom she does not get on. Although relations between the two of them seem to have improved over the last few months, that is not an *entirely satisfactory basis on* which to run an Irish policy.

Political agenda

The third point on which the Prime Minister is open to criticism is that she has never quite *given the Irish question the* priority it deserves. There have been moments of enthusiasm, and times when she was perhaps justifiably disappointed by the Irish response. But of a sustained application to the subject there has been no sign whatsoever.

The time may be ripe now for something better. There are *governments* in London and Dublin which should be there for several years. The forum is about to report and the latest atrocities may have served to bring Ulster to the top of the political agenda. Yet there are still as least two prerequisites for any progress towards a settlement. Mrs Thatcher will have to go out of her way to show that the top of the agenda is where the problem stays. And she will have to have a better working relationship with her *Northern Ireland Secretary.*

The welfare paradox

WELFARE, UNLIKE sin, is something you cannot very well be against. Or so it seems. In practice an *increasing number* of electorates have been turning against the welfare state, some of them in countries that have pioneered the very concept.

Denmark may be the next on the list when, in January, the anti-socialist minority Government of Mr Poul Schluter submits itself to the voters' verdict. Mr Schluter called the election last week. He had been defeated on the Finance Bill for 1984 by an unholy alliance of Social *Democrats, who want* more spending to bring down unemployment, and the Progress Party, which wants heavier tax cuts than proposed and, at least in theory, does not really like taxation at all.

Improved standing

Mr Schluter has been in office since 1982 when the welfare state and the practice of foreign borrowing to permit Denmark to live above its means threatened to collapse under their own weight. The country's rating in credit markets fell away as net foreign debt rose from 17¼ per cent of *GDP in 1979 to 33* per cent in 1982. In the same years the general government budget deficit rose from 1.4 per cent to *9.2* per cent of GDP.

In the summer of 1982 Mr Anker Joergensen, then the Social Democratic Prime Minister, read the auguries. Since he could not marshal the bulk of his party and the trade unions behind a programme of fiscal rectitude, he made way for Mr Schluter. The coalition formed by the latter has managed to bring *down budget* deficits. The inflation rate has been halved, and the succession of devaluations of the Danish krone has been ended. Danish standing in credit markets has improved.

Government strategy included a weeding-out of the more extravagant social benefits and a de-indexing of wages. The surprising *thing is that both the* electorate and the trade unions acquiesced. De-indexing provoked no serious strikes, and the popularity of the Government soared. If the opinion polls may be believed, the coalition, and especially Mr Schluter's Conservatives, will improve their parliamentary *strength on January 10.*

There are parallels elsewhere. In the last British general election many trade unionists voted for the Thatcher Government in spite of its attacks on trade union power. Norway in its last election spurned the Socialists and their welfare policies; so did Germany.

The swing away from welfare and *deficit* spending has two reasons other than the obvious one that money is running short everywhere. In bad times there is a natural tendency to economise and squirrel away savings. Keynes may have got his economics right, but his psychology was wrong.

That apart, the welfare state loses its attractions as affluence spreads. *An increasing number* of people come to think of themselves more as tax payers than as potential recipients of *welfare benefits, and their attitudes* change. It is a straightforward case of the Hegelian negation of the negation: *welfare negates poverty; then increased* affluence negates the need for welfare.

With that analysis one may also explain the obvious exception in France. France did not have as elaborate a welfare system as most of the northern European countries when M Francois Mitterrand came to power in 1981. Moreover it *took M Mitterrand little more* than a year to recognise that a policy of austerity was needed. He appears to believe that the electorate is ready to follow him down that route.

Fiscal realities

There is thus a widespread tendency in Europe to adjust to a world where the expectations of the 1950s and 1960s can no longer be satisfied. It is a salutary development because it takes account of fiscal realities, which in the last resort are the realities of which resources are available, *and which are not.* It is part of the process of unwinding the distortions and rigidities which have had such a damaging effect on the performance of European economies over the past decade.

DEMARCATION IN BRITISH SHIPYARDS

50 years of who-does-what

By Nick Garnett, Northern Correspondent

"Outfitting trades will undertake their own servicing and outfitting as necesary in order to progress their own work including caulking, drilling, tack, stud and other non structural welding, hilti nailing, buffing and grinding, burning, slinging, removing and refitting of pipes, cable supports, panels and cabinets, small areas of painting and paint preparation, goodhousekeeping and upkeep of equipment and similar activities." Paragraph from British Shipbuilders productivity document.

ANYONE possessing a ghoulish fascination for the complexities of job demarcation in Britain's traditional industries and the battles surfacing in their wake need cast their eye no further than the bulkhead of a ship.

A struggle is raging in British shipyards between joiners and sheet-metal workers over new patented insulation systems made up of an insulator sandwiched between metal. Who attaches them to the walls of ship cabins? Joiners who traditionally did the job when the materials used were wood and plastic, or sheet-metal workers?

This is just one of the many entrenched facets of daily life in UK shipyards which British Shipbuilders and its new chairman and chief executive, Mr Graham Day, are now trying to brush away in one vast sweep.

The Confederation of Shipbuilding and Engineering *Unions (CSEU) has called an* indefinite strike from January 6 in opposition to national job flexibility and interchangeability proposals made by the corporation in return for a pay rise. Members of the largest union involved, the General, Municipal and Boilermakers', voted last week 3-2 for a stoppage, and their leaders will meet this week to consider the result of the ballot.

The BS proposals are part of a wide framework of changes incorporating manning levels, shift alterations and introduction of more advanced technology, *some of which* will cause more job losses.

If implemented the changes would eat the heart out of traditional work practices which have sapped efficiency for decades and helped lumber shipyards with unnecessary unit labour costs, despite some advances agreed by the unions over the past 20 years.

Shipbuilding is perhaps an extreme example of restrictive practices in British industry. Some sectors, including vehicle and component manufacturing (notably BL), steelmaking and some parts of general engineering have made forward strides in job flexibility ranging from the substantial to the dramatic. *Other industries too have re*modelled themselves through changes in shift systems and the acceptance of new technology.

In the shipyard, though, the tightly guarded and ruthlessly defended divisions between the

Welder at work in Govan shipyard on the Clyde, Scotland.

craft-based metal-bashing boilermakers, the craft outfitters and *the semi and unskilled ancil*laries—each containing a multitude of trade-based classifications—govern as rigidly as any*thing deriving from management.*

National union officials know all this and have spent the past few months attempting to draft a new national agreement acceptable to all sides. That failed, however, and the BS proposals, linked to a £7 a week payment, have been attacked by the unions as too much too quickly.

"As part of our culture we've got to bring people with us if we want to radically change the way they work," says Mr Jim Murray, the quietly-spoken chairman of the CSEU's shipbuilding negotiating committee. "You can't do things overnight and that's what British Shipbuilders wants to do."

For the corporation, with 59,000 employees, 30 yards and heavy losses, productivity changes are seen as vital for keeping its faltering heart beat *steady in the face of merciless* worldwide competition and a shipping slump. On Friday BS announced a first half loss of *£58m and forecast a full-year* one of £120m, about the same as last year.

Its eight-page productivity plan encapsulates what is in effect an attempt to jump a generation and jack up working practices to the efficiency levels of the Scandinavians, Dutch and Germans. It does not attempt to reach the sociologically unattanable state of Korean shipyard.

Snapshots of trade-based rigidity, which varies from yard to yard but is characterised by uniform inflexibility, provide a flavour of shipyard working.

Some of the most mind-stretching attach to pipe making and fitting. Many yards have three trades doing this work—plumbers, coppersmiths and fitters—and some have a fourth, brassfinishers. Which trade does the work depends on the material of the pipe, the *kind of pipe system of which* it is a part, and its location in the ship. Workers from two or more trades might be involved *at different times on individual* pieces of work on the same length of piping.

In some yards electricians will not allow anyone but themselves—not even labourers—to manhandle cables from the deck of a ship into the engine room prior to attaching those cables to generators.

Platers, who are in the boiler*makers' section of the GMBU,* make and handle plates of more than one-eighth of an inch thickness. Thinner gauge plate *is the sole preserve of sheet*-metal workers, who are in one of the outfitting trades.

A welder needing to repair a pipe hidden behind wood panelling must use a joiner to undo the screws on an access panel. In some yards an electrician installing a cable will have to wait until a sheet-metal worker makes the trays (brackets) to secure the cable on its route. That wait might affect an electrician's bonus pay.

All trade groups, whether platers, painters or french polishers, have their own supervisory structure, each with white-coated head foremen, blue overalled foreman and chargehands.

Demarcation is frequently the pivot for disputes. These are likely to emerge over pay and with the arrival of new materials. The installation of plastic narrow-gauge piping for *water systems has* blurred pipe fitting demarcation and sparked rows. The nail-firing hilti gun (referred to in the quote above) *is used for attaching insulating* material to bulkheads. In some yards disagreement on who should do this job has blocked its use. Some small scale, specific who-does-what disputes have rumbled on in some yards for 50 years without a satisfactory solution.

Mr Maurice Phelps, BS board member for personnel and *industrial relations, says many* managers and supervisors have learnt simply to work within that demarcation climate. Some have become virtually immune to it and some managers have been guilty of failing to prosecute positively chinks which have appeared in the armour of demarcation.

That is not to say that the industry and its 14 unions have not made some forward steps. At nationalisation in 1977, 158 separate bargaining units within the then existing shipbuilding companies were replaced with just one. There is also now a common craft pay rate.

The past 20 years have also seen some job interchangeability. The boilermakers' umbrella includes shipwrights (who maintain the shape of the ship by placing plates correctly), welders, platers, caulkers (who use compressed air hammers to chip or back gouge weld joints in preparation for more welding), burners, blacksmiths and drillers. Some of these have a clutch of further subdivisions. Most yards have achieved limited interchangeability with men temporarily doing some other trade work.

The ability *of a man* to service his own work has also been relaxed. For example, formerly if a plater was putting together two pieces of plate he would have had to wait for a burner and maybe a tack welder. In some yards a plater or shipwright *will now* use a *burning* torch and tack weld. Other "rules" have also been eased: the requirement for shipwrights to work *in pairs* — with both going to the stores to pick up one tool — and the rigid demand for each skilled man to have a labourer.

However, the new productivity document is not a tinkering mechanism. It is designed to shake working practices almost to their roots.

Mr Murray argues that some changes could be phased in, but pushing the pace too quickly will rebound on management and will fail. Certainly, one yard in the late 70's had a grudging acceptance from plumbers and coppersmiths that they should do the same work, but *lack of enthusiasm* has prevented the agreement from working properly. Union representatives say they have been told before that improved flexibility will mean more orders, but it has never worked out that way. To a shipyard worker earning less for a 39 hour week than many young clerical staff and secretaries in other industries, the payment on offer must look tiny in relation to the changes he would have to shoulder.

But that is a reflection of the crisis in shipbuilding. Mr Phelps says that job restructuring is vital. "We would be able to quote at more competitive prices and ultimately produce a stable workforce. We've told the unions that those changes could lead to higher levels of redundancy — but that's inevitable anyway if we don't get improvements in practices."

THE NINE-POINT PRODUCTIVITY PLAN

PRODUCTIVITY changes sought by British Shipbuilders divide into nine categories linked by what the document says is a need to use fully and broaden skills of employees. This would go hand in hand with retraining.

● There would be full interchangeability within the boilermaker trades; within the outfitting trades (which include engineering fitters, electricians, joiners and coppersmiths) subject to individual skills and experience; and within the ancillary grades (crane drivers, red-lead man, craftsmen's helpers, and labourers), again subject to experience.

● Some interchangeability between boilermakers and outfitting trades, after consultation. This would be mainly to help advance work in a logical way and to handle workload imbalances. For example, a welder might be required to do some painting.

● Ancillary workers could undertake minor tasks previously done by skilled workers "where no definable skill content is associated with the task."

● Use of "composite groups" or hit squads in which there would be total interchangeability and flexibility to eliminate waiting time and which would undertake the entire range of tasks needed to complete the job.

● A break up of the existing chain of supervision possessed by each of the trades. This would be replaced by area supervision for the two broad categories of steelwork and outfitting.

● Machine operators would load and clean their own equipment. Any worker in need of staging (scaffolding) would erect his own staging to a maximm height of two metres.

● Changes for staff employees. Formation of integrated teams of people drawn from planning, production, engineering and the drawing office. Staff employees to be interchangeable where required, as between technical and commercial jobs.

● Workers to be mobile between ship and workshop, production and maintenance.

● Recognition that management is responsible for determining manning requirements. An urgent review in the yards of manning levels.

Men & Matters

Grundig clings

Dr Max Grundig, a tough and wily old entrepreneurial battler, is still clinging on to his cherished consumer electronics concern, even as Philips tries with gentlemanly patience to prise him loose.

If present plans go ahead Max Grundig will give up pretensions of management control of Grundig but will remain in a *supervisory and advisory role.*

"Max Grundig will be available to give the company the benefit of his experience in the *future development of product* lines" the company declares.

If past experience is any guide, future managers can expect the *occasional* wrap over the knuckles as well as fatherly advice.

Now 75 he has the reputation *of being still very much the* boss at his company. Although his intervention tends to be spasmodic it is no less dramatic for that. A succession of top managers has fallen foul of the company's patriarch and have departed after throwing overboard any "heir apparent" notions they might once have had.

Grundig opened a radio shop near Nuremberg in 1930 when he was 22. He built up a business of 30,000 employees.

The Japanese have presented him with some headaches in the consumer electronics area. But the *Japan-EEC* video recorder pact has helped keep the competition at bay at least for a time.

However, Grundig *is realistic* enough to know that when you can't beat 'em you have to join 'em. Hence the Grundig-Philips *decision to make* VHS videorecorders under Japanese licence for foreign markets.

Philips has played a waiting *game* to get Grundig. The prize looks to be within its grasp. But the "old fox" as some in the industry call him is still a man to be reckoned with.

"Fifteenth century or Tom Keating up to his tricks again?"

Pimpernel returns

London chartered accountant Mark Shlmerdine, still a shade under 40, expects to achieve his *ambition to be one of that rare* breed, a British film mogul, on Boxing Day afternoon.

All will depend upon the reception given to his new film of The Scarlet Pimpernel which is to be shown on the ITV network. The $4.5m budget film, which has been shot on location in England (including four stately homes; Blenheim Palace, *Ragley, Broughton* Castle, and Milton Manor) runs for three hours and is one of the biggest single television productions ever mounted.

Assuming it is well received —and Shlmerdine is confident after the sneak previews—he expects a lucrative future partnership with the CBS television network of the U.S. which has bought the Pimpernel.

Shlmerdine is also reviving a piece of British film history. His company is London Films—the same London Films that was founded by Alexander Korda and was responsible for some of Britain's best films in the 'thirties and the 'forties.

While working as an accountant at Associated British Picture he saw the possibilities in London Films which was then a moribund company except for its ownership of 33 Korda films. He bought it and became chair*man five years ago. Among the* assets was the unfinished Korda spectacular, I Claudius. The story was filmed again as a co-production with the BBC. London Films was on its way.

After The Scarlet Pimpernel, London Films and CBS will be bringing to the *television* screens in Britain and the U.S. a $5m production of Kipling's Kim, made in India, and starring Peter O'Toole.

Tax payer

THE U.S. Internal Revenue Service looks like being the biggest winner from the deal *to sell* Hughes Helicopters to McDonnell Douglas for $470m cash.

The estate of the late eccentric millionaire had been trying to sell the helicopter company — until recently a big money loser — for several years to help pay estate taxes.

William Lummins, a Houston lawyer and a cousin of Howard Hughes, *failed to find a buyer* for the company four years ago after he was made chief administrator of the Hughes estate. He subsequently appointed Jack Real, a close Hughes aide to improve operations at the helicopter unit and turn it into a more saleable item.

Then, with the help of the Pentagon, Hughes Helicopter hit the jackpot, winning a $7bn contract to build 515 of the AH-64 Apache helicopters for *the army over the next six* years.

That was the bait Lummins had been looking for. Six months ago, he reopened bidding for the company with an asking price of around $500m. There were several bidders including McDonnell Douglas.

Helped by the Pentagon order the helicopter company is expected to make its first profit in 1983 since it was formed 49 years ago. Sales this year are expected to total $540m.

The deal is McDonnell's second big acquisition in three weeks. Last month the company announced plans to acquire Tymshare Inc. a data transmission and processing group, for $378m cash. That deal may be finalised this week.

Rat power

Timothy Aitken, boss of TV-am has a sense of humour.

The station's Christmas cards feature a Barry Fantoni cartoon showing two Whitehall mandarins studying a newspaper post "TV-am gains viewers".

"The minister is terribly excited. They've asked him on with Roland Rat," one is saying to the other.

A serious message underlies the joke. The puppet comes back today for a three-week season. The Camden Lock marketing people are expecting it to take the viewing figures well above the current plateau for peak viewing of just over 1m.

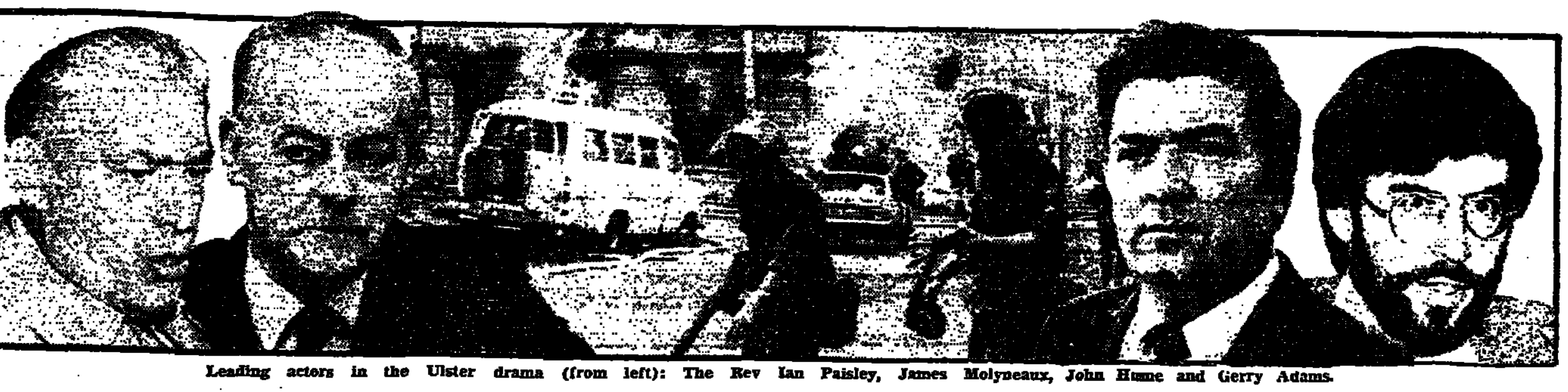
During the summer school holidays the first appearance of Roland Rat gave TV-am heady (but temporary) viewing figures of 1.7m.

Early riser

A management consultant died and went to Heaven. Meeting St. Peter at the gate he protested. "There must be some mistake, I'm only 54, I really shouldn't be up here yet."

St. Peter consulted the big book. "Well, according to the time you've charged you've charged your clients you are 87."

Observer



Leading actors in the Ulster drama (from left): The Rev Ian Paisley, James Molyneaux, John Hume and Gerry Adams.

Northern Ireland

Trapped in a theatre of violence

By Margaret van Hattem

WE HAVE been here before. Before the bomb which exploded outside Harrods on Saturday came Hyde Park, Chelsea Barracks, the maiming of Sir Stuart Pringle, the Oxford Street bombs, the killing of Airey Neave . . . the catalogue is a long one.

The bomb which brought back into the heart of London the sort of random violence which Northern Ireland has lived with for the past 14 years has again produced a surge of anger, outrage and demands for action.

Yet the strong initial reaction to every past outrage has quickly subsided, leaving political perceptions in Northern Ireland and on the mainland as far apart as ever. This gulf showed through in a poignant exchange in the Commons recently. It was between Mr Ken Maginnis, the Official Unionist member for Fermanagh/South Tyrone and Mr Nick Scott, one of the Northern Ireland Ministers. It went like this:

Mr Maginnis: We are not accustomed to power sharing in the House. It never occurs to us that the two main parties, although the programmes on which they were elected have more in common than do the policies of the Unionists and Republicans in Ulster, should share power in the Government of the UK. Therefore we have never believed that the insistence on power sharing in Ulster, which contradicts the principles of British democracy, was genuinely aimed at the extension of democratic devolution to the province.

Mr Scott: Had we had proportionately the scale of deaths and damage in Great Britain that Northern Ireland has had to endure over the past 14 years, the people of Great Britain would have come to this House and said that the political parties *must* get together to arrange our affairs better.

British ministers and Unionist politicians have been having that conversation for 10 years. The Northern Ireland political cast keeps changing but the script remains pretty much the same. The Ulster people simply do not believe that they need to behave as pragmatic Englishmen say they would in similar circumstances: British governments still hope that they will.

The point about the Ulster drama is that while English audiences may be heartily sick of it, Ulster audiences are still fascinated. British ministers searching for a "solution" have always taken as axiomatic that the Ulster people desperately want one. But the evidence points the other way. Every Ulster politician who has dabbled in the art of the possible has seen his career take an abrupt nosedive. The longest runs are for those who sit tight and do nothing.

Nearly 2,500 people have been killed in the violence of the last 14 years. Proportionately that would be 70,000 in Great Britain, an average of 400 a month. In recent years the trend has been falling. But the past two months have been particularly violent with 27 deaths, including the victims of the Darkley Gospel Hall shootings; Mr Charles Armstrong (OUP chairman of the Armagh District Council); and Mr Edgar Graham (an OUP Assembly member). So let us look at those playing the leading roles, and how they are doing.

● The Rev Ian Paisley, leader of the Democratic Unionist Party which broke away from the Unionist party in 1971. In spite of his image as a sort of Protestant Savonarola and what some have found an ambiguous stance on paramilitarism, Mr Paisley is a deeply cautious politician. He takes few political risks. Even in his more strident days, little came of his threats to make the province ungovernable or of his "third force" of vigilantes. Perhaps he was creating opportunities for his supporters to let off steam as a means of keeping them under control.

Having started his career as a wrecker of Stormont governments and British initiatives, Mr Paisley appears to have learned the hard way that if Northern Ireland is to survive as a political unit, it must be made to work from inside. That has pushed him into taking his first big political risk — publicly to support the Northern Ireland Assembly set up a year ago. Judging by the DUP results at the general election, that has already cost him support. But he appears to believe he has little alternative, and that the collapse of the Assembly would be the first step down the road to Dublin.

Mr Paisley dwarfs the other members of his party, among whom the more prominent are the DUP's two other Westminster MPs: Mr Peter Robinson, the deputy leader, who has built up the party organisation; and the Rev William McCrea, who is still better known as a gospel singer.

● Mr James Molyneaux, leader of the Official Unionist Party. Widely and perhaps unfairly regarded at Westminster as part of Mr Enoch Powell's luggage, he is one of the great survivors. Since his emergence from the party backrooms nine years ago, he has fought off numerous internal challenges, mainly by letting his rivals overreach themselves.

A man of limited vision and what friends call "a sense of service rather than of mission," Mr Molyneaux has never committed the error of supporting any of the "solutions" devised in Westminster and appears content to sit tight until the Government is ready to start integrating Ulster into the UK. This strategy indicates his sure and instinctive feel for his own community: the party, which was demoralised when he took over as leader in 1979 and on the point of collapse two years ago, has recovered its supremacy in Unionist politics.

Others prominent in the OUP include three Westminster MPs:

● Martin Smyth. Like Mr Molyneaux, he is a leading figure in the Orange Order and, since winning the crucial South Belfast by-election in 1982, has looked like his successor. Currently an integrationist, but not necessarily a dyed-in-the-wool one.

● Harold McCusker, deputy leader of the OUP. Previously a staunch devolutionist and supporter of the Assembly, he lost much of his influence in an unsuccessful bid for the leadership and is finding it difficult to claw his way back.

● Enoch Powell. A much bigger figure in Westminster than in Ulster, he is nevertheless the major intellectual influence on Mr Molyneaux.

● Mr John Hume, leader of the Social Democratic and Labour Party, which gains most of its support from the Catholic community. The most inventive and imaginative of Ulster's politicians, he gives the impression of believing there is no problem that cannot be solved by the creation of appropriate institutions. Much of his political energy is spent in devising the perfect institutions to reconcile the two communities. His intellectual enthusiasm for compromise goes a long way towards masking the fact that, in practice, he is almost as cautious as the other party leaders.

As one of the founder members of the SDLP, Mr Hume was committed to breaking with the old nationalist tradition of absentionism. But the emergence of Sinn Fein in conventional politics has forced him almost back to the old position. In June he became the first non-Unionist since partition to represent a seat in predominantly Catholic Derry, but he has yet to make his mark at Westminster, for he is making a point of spending much more time in the Dublin-based Forum for a New Ireland. This body, which he played a key role in setting up, is examining the options for a political settlement. He is still the only nationalist politician remotely capable of winning the support of most of the nationalist community, but his party is beginning to look like a spent force.

● Mr Gerry Adams, leader of Provisional Sinn Fein, the political wing of the IRA. Mr Adams has always denied being a member, let alone head, of the Provisional IRA but his efforts to convince the security forces and the Government of this have been no more successful than their attempts to prove the contrary. He believes there can be no military victory for either side in Northern Ireland and is generally credited with much of the responsibility for moving Sinn Fein towards conventional politics.

This high-risk strategy appears to have paid off. His achievements — including a leading policy-making role in the 1981 H-block hunger strike, leading the campaign for the 1982 Assembly elections in which Sinn Fein won five seats, and winning the Westminster seat of West Belfast last June — have made Mr Adams the leading figure in the party in the South as well as the North.

Mr Adams is sufficiently aware of the political eclipse of those of his predecessors who laid down their arms to remain firmly committed to the "armed struggle." He is also aware of the host of shadowy bit-players, such as Mr Jim Lane, chairman of the Irish Republican Socialist Army, and Mr Dominic McGlinchey, believed to be a leader of its paramilitary wing, the Irish National Liberation Army, whose capacity for producing shock waves constantly threatens to upstage him.

He has yet, however, to formulate a strategy which is not anathema to the vast majority in the South, let alone the North.

What chance is there of a change in the province's repetitive political drama?

There is a possibility that the Dublin Forum will, in the New Year, produce a report that sets the action in a fundamentally different context. It may, for example, turn its back on reunification in the traditional sense of a unitary state, opening the way for some major rethinking. There is little sign, however, that the audience is clamouring for a change.

Lombard

'Great and good' are the dangers

By Samuel Brittan

ONE SPECIFIC subject which Sir Douglas Wass, former Permanent Secretary of the Treasury, discussed in his last Reith lecture was the future of Royal Commissions. Many people share the late Sir Alan Herbert's view that when governments have no idea what to do they set up a Royal Commission.

But this is not always fair. Royal Commissions have done good work on subjects ranging from child labour in the 19th century to broadcasting in the 20th century.

Sir Douglas's starting point is that the Government should not be the sole or primary source of information and analysis. Alternative existing sources include the media and various research institutes and foundations "renowned for rigour, independence and impartiality," although not always, I would add, for escaping the conventional wisdom of their time.

Sir Douglas's reservation was, however, on a slightly different aspect. It was that the "findings and conclusions" of these bodies "do not always percolate to the public at large; nor do they always make the impact that they should when they reach the policymakers' desks."

It is here that the Royal Commission comes into the picture. It "combines authority and prestige with thoroughness of approach and has succeeded in making an impact on both public opinion and policymakers." Above all, Royal Commission reports attract attention which the same work performed unofficially or informally would not.

Yet the Reith lecturer was not quite satisfied with the Royal Commission system as it stands. This is mainly because its creation lies in the hands of governments, which select its members and write its terms of reference. "Whitehall invariably spends a good deal of effort defining the remit of an external body to make quite sure it will not trespass on territory which it does not want explored." This is an aspect Sir Douglas should know very well.

But I fear that the suggested remedy may be worse than the disease. The suggestion made in the lecture is for a single standing Royal Commission of a couple of hundred persons. Panels to which outsiders can be appointed would investigate specific issues. But the chairman and executive board would normally choose the issues and write the terms of reference.

This permanent Royal Commission would be appointed by the Crown on the advice of the Prime Minister and serve a fixed number of years. The Prime Minister would be expected to make appointments in a non-partisan way and be guided "by a spectrum of interests."

Such a Standing Commission might make it easier to bypass the partisan, ideological Prime Minister figure who haunts so many of Sir Douglas's lectures. But it would be almost bound to fall into the opposite danger by being composed of safe, representative figures: industrial statesmen, educational administrators, and representatives of various interest groups. Sir Douglas hopes that the selection of people would be adventurous and not always safe. But I am afraid his hope would be disappointed.

There is already a Whitehall book of the "great and good" for Commissions, committees and other public appointments. The Standing Royal Commission could hardly escape being simply the hard core of "the great and the good."

As it is, the great and the good predominate on official inquiries. Anyone who is difficult to classify politically, or who is not associated with some industrial, professional or academic interest group is likely to be omitted. If I may bring in a personal note, I have not been asked to serve on a single Royal Commission, and not even on the most humble departmental inquiry, at any time at all.

But in spite of this personal experience, with the present untidy system there is always a chance that some Minister will manage to get through an unconventional or unrepresentative appointment at some time. Under the tidy and logical-seeming system proposed by Sir Douglas, the cracks would be filled in and the "great and the good" will reign supreme, and faults which weaken the present type of Royal Commission will become embedded and impossible to remove.

Letters to the Editor

Architecture in the Square Mile—from splendour to banality

From Dr A. Henfrey

Sir,—As a former member of the Court of Common Council, of the City conservation area advisory committee and contributor to early SAVE reports on conservation in the City, I have read Colin Amery's article (December 5) and subsequent correspondence with great interest.

Dr Gugan (December 8) unfortunately reflects the real sympathies of the City planning authorities when he refers to "the luxury of its 21 conservation areas." Rather than being a "luxury," the intimate human scale of so much of the City provided by the Victorian and Edwardian buildings that still *survive is one* of the many important reasons why the working environment in the Square Mile is so appealing to the high level professionals that make it the leading international business centre it is. I write as one whose business career has of necessity taken him to some of the world's more dreary financial centres.

I find it difficult to accept Dr Gugan's verdict of "about right" when I recall from my own days as a City resident the systematic elimination of so many of the City's charming passages and alleyways and their replacement by mediocre glass shoe boxes and windswept walkways.

Future generations of City workers will not look back benevolently on those responsible for the submersion by indifference of Little Britain, Bow Lane, Throgmorton Street and Angel Court to name but a few examples I am personally familiar with. They will reflect on what could have been done to restore so many of these buildings for modern business requirements. Imaginative uses for older commercial buildings was an alien concept for the City Fathers and architectural establishment during most of the postwar period. Only in the late 1960s and 1970s were they belatedly and reluctantly persuaded to take it seriously by the actions of SAVE and others, such as the City Heritage Society.

While SAVE probably does tend to underplay the unfortunately small amount of good modern architecture in the City, the considered verdict of time will, I believe, favour SAVE rather than Dr Gugan.

Dr Anthony W. Henfrey.
Simmons and Co. International,
1800 South Tower,
Pennzoil Place,
Houston, Texas 77002

From the Chairman,
The Smithfield Trust

Sir,—Dr Gugan's extraordinary outburst (December 9) cannot obscure the facts. The City's conservation policies for the last decade and more have involved delaying designation of conservation areas until after big redevelopments have destroyed their character and the manipulation of their boundaries to help further developments. In Little Britain, for which permission for redevelopment was given last week, the City itself is promoting a scheme which will destroy all the buildings in the conservation area it designated, as well as most of those in one designated by Greater London Council. In Newgate Street nearby, the City has recently decided to demolish the northern side of the street—even though it had designated one end of it a conservation area only two years ago.

Your architectural correspondent has consistently drawn attention to the ways in which conservation can be happily combined with development. Dr Gugan's letter has reminded us all too well how little this message is understood in the City Corporation.

George Allan.
14-16, Cowcross Street,
EC1.

From the Chairman,
SAVE Britain's Heritage

Sir,—The chairman of the City Planning Committee (December 8) attacks your architectural correspondent Colin Amery for repeating "without checking their accuracy, 'facts' which were already wrong" in SAVE's new report on demolition and rebuilding in the City. At no point, however, in his long letter does he cite any specific errors of fact. Of course, any authors covering new ground are liable to correction by reviewers, critics or later writers but our report is rather cooler and more objective than Dr Gugan's reaction suggests.

It consists of an introduction on planning policy in the City since 1945, quoting substantially from reports prepared by or for the City Corporation. The historical details of demolished buildings are based on extensive research at the Guildhall and Royal Institute of British Architects libraries. Dr Gugan has clearly seen red at the comments on the modern buildings that replace them, but these are not universally adverse or deprecatory: what they do analyse and attack is the cumulative effect of many standardised buildings on the character and liveliness of the City's streets, courts and alleys. And many of the replacements we illustrate cannot be excused as products of immediate post-war austerity, as they date from the past 10 or even five years. Dr Gugan doubts whether those committed to Victorian architecture could see any merit in modern building. But it was SAVE who commissioned Richard Rogers to do a scheme for Billingsgate fish market, and the City Corporation which voted itself a deemed planning permission very much on the lines of the SAVE proposals.

Dr Gugan talks of the "luxury" of the City's 21 conservation areas as if their future was secured. Only this summer came news that the City's own road widening proposals would involve the demolition of 26 buildings in conservation areas, while within days of the designation of an extension to the Bank conservation area, permission was given for the redevelopment of a substantial part of the area. And most recently, permission has been given for the demolition of some 70 per cent of the buildings in the two Little Britain conservation areas. Is this what Dr Gugan considers "about right"?

Marcus Binney.
68, Battersea High Street, SW11.

From Mr P. Minton.

Sir,—Like any question of aesthetics, architecture is a very personal matter. Accepting this I cannot but wonder incredulously at the comments of the president of the Royal Institute of British Architects, reported on December 7, and the chairman of the City planning and communications committee, letters December 8.

Mr Manser, speaking one hopes for himself rather than the general membership of the RIBA, suggests that "too many architectural ideas were stillborn by obsession with conservation." Dr Gugan believes that there is little disagreement in the City Corporation about the aesthetic quality of many postwar buildings. Does it occur to neither of them that the criticism of our environment and the drive to conserve the buildings of the past might stem from the awful nature of all too much of the "architect-designed" building foisted upon us since the war?

Looking at the City, for instance, can Dr Gugan and Mr Manser list more than a handful of postwar buildings, from the enormous number built in the period, which has enjoyed general—let alone critical—acclaim? Where has planning done one iota to improve the skyline as opposed to destroying the superb views that even some of we middle-aged people remember? It all depends on one's point of view but I am sure that the views of most people is very different from that of the "experts."

Peter K. Minton,
"Underwood," Hardwick Road,
Whitchurch, Reading.
Berks.

From Mr C. Wilson

Sir,—Your architectural correspondent (December 5) is understandably gloomy about the City's architecture but he should not lay all the blame on the City fathers who, at least, permitted his own Bracken House. Since 1947 developers have laboured under development charges, land commission levies, development gains tax and development land tax, which latter is to be with us permanently according to Mrs Thatcher. Mr Amery and SAVE Britain's Heritage might do better in the long run by campaigning for the removal or modification of this burden which, like high building costs and interest rates, must surely contribute towards a lowering of building design standards.

C. F. Wilson,
Augusta,
14 Royal Chase,
Tunbridge Wells,
Kent.

From the Chairman,
Industry and Employment Committee, Greater London Council

Sir,—Mr J. K. Money (December 13) has missed the point when he says that Greater London Council's use of rate expenditure to create jobs does not increase wealth. The great balance of the expenditure by the industry and employment committee of the GLC is to finance the Greater London Enterprise Board. It has now invested some £14m in 125 companies in a wide range of wealth creating industries. But for these investments many of these companies would not now exist, the 1,800 jobs we are creating or preserving would not exist, and London's wealth creating industrial base would have further diminished.

Michael Ward.
County Hall, SE1

FINANCIAL TIMES

Monday December 19 1983

Terry Byland on Wall Street

Motors lose their drive

WHEN THEY come to write the history of the great Wall Street bull market of 1983, one of the highlights must be the day in April when General Motors announced a substantial surge in profit in the first quarter and set the whole market ablaze with delight.

The spectacular recovery in the U.S. motor industry, which was lying battered on the ropes in 1982, has been one of the main thrusts beneath the bull market and, indeed, the U.S. economic recovery itself.

All the more unsettling, therefore, is the dull performance of the motor stocks over the past couple of months. Far from even keeping pace with the rest of the market, stock prices in the Detroit majors have fallen sharply from their 12-month highs – by around 25 per cent in the case of Chrysler, for example.

Over the past month, falls in car stocks have outpaced the fall in the Standard and Poor's 500 stock index, the tally stick most favoured by the brokerage analysts.

Several leading brokerage houses have turned distinctly cooler towards motors. Not bearish, or at least not yet, but certainly no longer bullish.

One of the first to change tack was Shearson-American Express, which was telling clients by the end of September: "We do not recommend… major new long-term commitments".

There was a fresh flurry of nervousness in the stock market towards the end of last month when the industry's sales for early November appeared to be weakening.

However, the nervousness proved a false alarm, or perhaps an early warning. Sales steadied in the latter part of the month and most analysts professed themselves satisfied with the total sales for the full month of 590,000 units. The total for the early part of the month seems to have been distorted by sales promotions in the comparable period.

But the disquiet over car sales since mid-summer continues to unsettle the market. Mr Hugh Johnson of First Albany blames sluggish car sales for the weakening in total retail sales, which gained only 1.51 per cent in May-October, compared with 7.43 per cent in January-May. Auto sales make up about 18 per cent of total retail sales and the strong Christmas season at the stores has lifted totals towards the end of the year.

The debate over car sales trends is part of a wider debate over the present ratings on car stock prices. Shearson-Amex's decision to take a more restrained view of the sector was based on its reading of the cyclical factors affecting the industry and the stock market ratings.

The pace of recovery by the industry from its woeful condition in 1982 has fuelled gains of around 300 per cent in General Motors and Ford stock prices, and it may now be time to ask how far the present recovery cycle has left to run.

At Shearson-Amex, Mr Scott Merlis believes the big three car makers have discounted most of the cyclical growth that can be expected by 1985, when he sees U.S. car sales reaching a plateau at around 10.8m units.

In 1985, Shearson forecasts that GM will be reaching peak earnings of $18 a share, with Ford around the same after adjusting for the three-for-two stock split.

In the previous economic recoveries of the post-war period, motor stocks have traded at high price/earnings ratios during the early phase, and then settled back to a p/e of about half the market average when nearing the peak of their earnings cycle.

The big three have followed that trend in the present bull market and now trade around nine times earnings. If the trend is followed through, then by 1985 price/earnings for Ford and GM might have fallen to about five, compared with a predicted p/e of 10 on the S & P 500 index.

U.S. bonds, Page 14

CENTRAL BANK CHIEF IN U.S. TO MEET CREDITORS

Argentine bid to end debt doubts

BY JIMMY BURNS IN BUENOS AIRES

ARGENTINA's central bank governor, Sr Enrique Garcia Vázquez, left for the U.S. at the weekend for a series of meetings with his country's foreign creditors aimed at clarifying his Government's position on its $40bn foreign debt.

Sr Vázquez left foreign bankers in considerable confusion last week after declaring that Argentina would defer foreign debt principal and interest repayments for six months while it renegotiated its foreign debt commitments for next year.

That was contradicted by the Economy Minister, Sr Bernardo Grinspun, who emphasised that Argentina had only requested a deferment of deadlines on the signature of debt contracts with 30 public-sector entities worth about $6bn.

Sr Grinspun also denied an earlier report that one of the contracts already signed – with the state airline Aerolineas Argentinas – had been declared null and void.

Foreign banks will be seeking further reassurance that Sr Vázquez's original statement was due to a misunderstanding and that his position on the debt remained essentially that of Sr Grinspun.

Before leaving Buenos Aires, Sr Vázquez indicated that he would seek to underpin a new rescheduling with foreign banks with an agreement with the International Monetary Fund. The Argentine Government wants to revive an existing 15-month agreement with the fund, and eventually to negotiate a new three-year standby facility consistent with the country's new economic programme and broadly acceptable to its foreign creditors.

Argentina has drawn only about $650m of a $1.7bn loan signed with the fund last January because of the former military government's failure to meet economic targets.

Banking sources said Sr Vázquez was also considering asking for fresh funds from the U.S. Treasury or the U.S. Federal Reserve in addition to a commercial credit, which Argentina would need to cover payments due next year.

According to U.S. bankers, current debt talks are focused on deciding how much of Argentina's trade revenue should be used to pay interest and how much should be set aside to boost the country's reserves, which have fallen to about $300m.

Sr Grinspun now forecasts a trade surplus next year of $3.5bn, and he expects about $2bn of that to be used to meet interest arrears. Argentina's current interest arrears amount to about $2bn.

The country also faces repayments of about $5bn in interest maturing in 1984. About $17bn in principal payments falling due in 1984 would need to be renegotiated.

In a speech broadcast nationally on Friday night to outline the Government's economic policy, President Raul Alfonsin said Argentina would continue to honour debt obligations but emphasised that the country would seek a longer grace period in rescheduling existing debt and softer terms for fresh money.

Sr Alfonsin said one of his Government's main priorities would be to cut the budget deficit from 14 per cent of GDP to 4 per cent by curbing military spending, increasing taxes on most luxury goods and tightening up the tax collection system. At the same time, Sr Alfonsin aims to pull the country out of its present recession by aiming for growth in 1984 of 5 per cent.

In a move aimed at drawing the country's unions towards a social contract, Sr Alfonsin followed last week's announcement of price controls by increasing all salaries by 1,000 pesos ($48). That will mean an effective 56 per cent rise in the minimum wage.

However, the Radical Government might be heading for a clash with the Peronist leadership of the main trade union organisation, the General Confederation of Labour, over proposed new legislation calling for direct union elections and greater participation of independent members in decision-making.

Brazil reduces interest arrears, Page 2

UK, Ireland consider banning Sinn Fein after London bomb

BY JOHN HUNT IN LONDON AND BRENDAN KEENAN IN DUBLIN

THE BRITISH Government is under pressure to ban Sinn Fein, the political wing of the Irish Republican Army (IRA), after the car bomb, claimed by the IRA, that killed five people and injured 91 outside the Harrods department store in central London on Saturday.

The Irish Government is also expected to discuss the possibility of a ban on the organisation at a Cabinet meeting tomorrow in Dublin.

Mr James Prior, the UK's Northern Ireland Secretary, said yesterday that the Government would look again at the possibility of proscribing Sinn Fein.

It is understood, however, that Mr Prior is sceptical about the possibility of operating a total ban and feels that it might prove counterproductive. He and other ministers feel, nevertheless, that some action must be taken to show their abhorrence of Sinn Fein's links with the IRA.

In Dublin, Dr Garret Fitzgerald, the Irish Prime Minister, said the division between Sinn Fein and the IRA was specious. "Politically they represent the IRA, they support and advance the methods of the IRA."

Two junior ministers in the Dublin Government and the Opposition leader Mr Charles Haughey, the former Prime Minister, favour a ban.

Mr Prior acknowledged yesterday that if Dublin did go ahead with such a move, it would be anomalous for Britain not to follow. "Of course we will consider it again and keep it under consideration," he said.

Privately, British ministers believe that a ban might increase sympathy for the IRA in Northern Ireland as Republicans would argue that Britain was flouting the wishes of 102,000 voters in the province who supported Sinn Fein at the general election.

In London, police were said to be following up "very promising leads" in their search for the bomber. The bomb, believed to have weighed between 25 lbs and 30 lbs, was left in an Austin 1100 saloon car and is believed to have been released by a timing device and not by remote control.

Mr Leon Brittan, the Home Secretary, is to make a statement on the bombing today in the house of Commons.

Yesterday he met with Sir Kenneth Newman, Metropolitan Police Comissioner, to discuss tigher security. Later he said that policing of the streets would be stepped up but that he could not guarantee the safety of Londoners against "murderous" acts of terrorism.

Mr Prior will be meeting representatives of the Dublin Government early in the new year to discuss improved extradition procedures from the Republic

Short of proscribing Sinn Fein, the British Government could institute a policy on non-co-operation between the various government agencies in Northern Ireland and Sinn Fein.

Mr Prior pointed out, however, that that might lead to difficulties. A member of a Housing Executive who refused to assist a local Sinn Fein councilman might be the victim of IRA retaliation.

Editorial comment, Page 10; theatre of violence, Page 11

Japanese Election '83

Tanaka's blow to Nakasone

Continued from Page 1

power over his district, the electors of which appear totally indifferent to his conviction in October for having accepted about $1.7m from Lockheed to help to promote the sale of TriStar aircraft to a Japanese airline.

According to NHK, the Tanaka faction, which had 66 seats in the old lower house, lost only one seat yesterday, while its closest rivals fared much worse. The Suzuki faction was down a net nine seats from its 62, Mr Nakasone's was losing five of its 48, the Fukuda faction seven of its 46, while the Komoto faction had incurred no net loss or gain from its 30. The figures may change today.

Mr Nakasone already relies on the Tanaka faction's support and his survival as Prime Minister may now absolutely depend on it. It is inconceivable that Mr Tanaka himself can return to high office after his conviction but, if he decides to withdraw support from Mr Nakasone, then he may wish to advance the cause of one of his own supporters, such as Mr Noduro Takeshita, the current Finance Minister.

What appeared really to hurt the LDP, and benefited the well organised smaller parties, was low voter turnout, which may well have been brought on by the widespread belief that the ruling party's losses would be minimal. The principal opposition gainer was the biggest Komeito Party of the centre (34 seats in the old parliament), which looked likely to win back most, if not all, the 24 seats it lost in 1980.

Projections suggested that the Japanese Socialist Party might win 107 seats, up from 101, while the Democratic Socialists and the Communists might also make small advances. The pooling of resources by the Socialists, Komeito and the Democratic Socialists appeared to have been successful in 17 out of 21 races.

The Japanese electorate also demonstrated remarkable indifference to the question of individual corruption. Another politician convicted in the Lockheed trial easily won re-election, as did an MP from the Tokyo outskirts whose massive gambling losses in Las Vegas had been a recent national scandal.

New Paris minister for EEC

BY DAVID HOUSEGO IN PARIS

M ROLAND DUMAS, a Socialist deputy and a close friend of President François Mitterrand, was appointed last night to take over as Minister for European Affairs.

He replaces M André Chandernagor, who was made president of the Cour des Comptes immediately after the breakdown of the Athens summit a fortnight ago. His transfer had been in the pipeline for some time and was not intended as a rebuke.

M Dumas takes over at a key moment with the crisis in the EEC coinciding with France assuming from January 1 the presidency of the European Council of Ministers. French officials intend by early January to put forward proposals on how negotiations can be resumed.

The post of European affairs officially comes under the wing of M Claude Cheysson, the Minister for External Relations. At one time it had been thought M Cheysson would take over the European dossier during the coming six months leaving a newly-appointed minister to take charge of other aspects of the ministry's work.

Responsibility for the French approach to Europe has, however, been increasingly shifting to the president and to M Jacques Delors at the Ministry of Finance who recently put forward the French proposals on controlling EEC budget expenditure.

The absence of any other ministerial changes seems to confirm that M Mitterrand has no immediate intentions of a Cabinet reshuffle.

Elected three times as a member of the National Assembly, M Dumas, 61, is a member of its Foreign Affairs Committee and has been entrusted by M Mitterrand recently with a number of missions abroad.

He was sent to Libya to talk with President Muammer Gadaffi at the height of the Chad crisis in the summer. More recently he has been the President's private emissary to Gabon to try to heal relations with President Omar Bongo, which were damaged by the publication in France of a recent book

Peugeot redundancies compromise

Continued from Page 1

to negotiate on retraining plans for the 1,900 being made redundant.

The CGT called on the workforce to return to the plant this morning to discuss plans for a fresh strike.

In spite of this setback, the agreement over the size and terms of the layoffs ameliorated what had become for the government a deeply embarrassing dispute which the Communists were using as a test case to challenge other industrial restructuring schemes.

The CGT yesterday welcomed the agreement which it said had created "a new situation."

The agreement should remove the tension from today's meeting between M Laurent Fabius, the Minister of Industry, and M Georges Marchais, the Communist secretary general, who has been bitterly attacking the Government's industrial policy because of the increase in unemployment it is causing.

The CGT last week brought production to a halt at the factory, which employs 17,000, in protest at the planned layoffs. On Thursday, in a deliberate effort to force the Government to agree to the redundancies, Peugeot announced that it was closing down the plant indefinitely from today and postponing FFr 1.2bn of investment to modernise the factory.

The agreement commits Peugeot to go ahead with the planned investment and to maintain the production in France of Talbot, the future of which has been in doubt.

After the new dispute last night, the management said it would go ahead with the investment only when work returned to normal

The pro-Socialist CFDT union, which are opposed to any redundancies, called on workers to occupy the Talbot factory last night.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	14	57	Dubrovnik	C	14	57	Malaga	F	13	55	Salzburg	F	2	36
Algarve	F	18	64	Faro	R	17	63	Malta	S	19	66	Seoul	C	1	34
Algiers	F	28	83	Florence	C	11	52	Manila	S	29	84	Singapore	R	29	84
Amsterdam	S	4	39	Frankfurt	C	2	36	Miami	C	26	79	Stockholm	C	-4	25
Athens	C	14	57	Funchal	F	20	68	Milan	C	1	34	Strasbourg	F	0	32
Bahrain	S	20	68	Geneva	C	4	39	Moscow	S	-6	21	Sydney	R	22	72
Bangkok	S	33	91	Gibraltar	C	17	63	Munich	F	1	34	Taipei	C	18	64
Barcelona	F	12	54	Guernsey	R	6	43	Nairobi	—	—	—	Tangier	C	17	63
Beirut	C	19	66	Helsinki	C	-1	30	Naples	C	16	61	Tehran	—	—	—
Belgrade	C	10	50	H. Kong	S	18	64	New Delhi	—	—	—	Tel Aviv	F	18	64
Berlin	F	3	37	Innsbruck	F	8	46	New York	C	4	39	Tenerife	S	23	73
Biarritz	F	11	52	Inverness	S	4	39	Nice	R	8	46	Tokyo	S	7	45
Blackpool	C	6	43	Istanbul	—	—	—	Oporto	R	16	61	Toronto	C	-3	27
Bordeaux	F	9	48	Jersey	R	5	41	Oslo	C	-4	25	Tunis	S	19	66
Brussels	S	6	43	Jo'burg	—	—	—	Paris	C	6	43	Valencia	C	16	61
Budapest	—	—	—	Las Palmas	S	22	72	Prague	S	-1	30	Venice	R	6	43
B. Aires	C	26	80	Lima	S	24	75	Reykjavik	C	3	37	Vienna	F	-1	30
Cairo	S	21	70	Lisbon	C	16	61	Rio de J'o	C	35	95	Warsaw	C	3	37
Cape Town	—	—	—	Locarno	Sn	1	34	Rome	R	15	59	Zurich	F	3	37
Caracas	C	29	84	London	C	7	45								
Casablanca	C	19	66	Los Angeles	—	—	—								
Copenhagen	C	0	32	Luxembourg	C	3	37								
Corfu	F	15	59	Madrid	C	10	50								
Dublin	C	8	46	Majorca	C	15	59								

Readings at mid-day yesterday.

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Israeli vessels shell PLO positions

Continued from Page 1

In northern Lebanon Israeli gunboats launched another pinprick shelling attack as members of the Palestine Liberation Organisation, loyal to the leadership of Mr Yassir Arafat, prepared for the start of evacuation today.

The continuing clashes between the U.S. and Syria is ominous for any long-lasting ceasefire between the factions in Lebanon. The Druze, Syria's closest allies in Lebanon, say U.S. naval gunfire is hitting their villages and they may retaliate.

Syria and its allies have 400 guns in the mountains around Beirut, which have intermittently bombarded the capital, the Lebanese army and Christian militia, say diplomats. Syria has also reinforced its anti-aircraft batteries and has shot down one Israeli and two U.S. bombers in recent weeks.

In addition to Sam 6 and Sam 9 anti-aircraft missiles, the Syrian army is making greater use of the Strella shoulder-held Sam 7 missile, employing a new model with heavier explosive and a better heat-seeking capacity, say diplomats.

Despite yesterday's clash with the U.S., Syria appears genuinely anxious for better relations with President Gemayel's Government and a resumption of the reconciliation talks. It may therefore be prepared to put the crucial question of Lebanon's agreement with Israel to one side and move on to discussion of a national unity government.

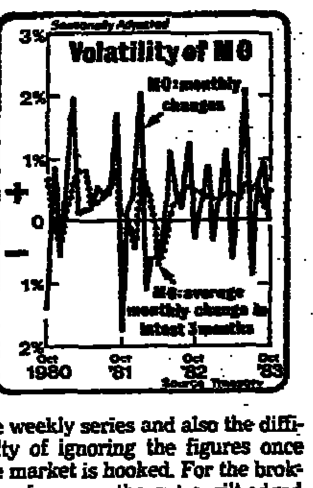
In Tripoli, 450 lightly armed gendarmerie have moved in between Mr Arafat's men and their rebel opponents so that evacuation can proceed easily today. Some 102 badly wounded PLO men have already been evacuated. It is not clear whether Mr Arafat will depart today or tomorrow.

Greece, which is providing five ships for the evacuation, is satisfied that sufficient international guarantees have been given for Mr Arafat and 4,000 of his men to be transported out of the country without Israel attacking the ships

THE LEX COLUMN

Little Mo comes out to play

Two months after putting in an unexpected London appearance, little Mo is back in town. Last week, just as the financial markets were beginning to view as an unfortunate aberration the reference to her by Mr Nigel Lawson, Chancellor of the Exchequer, in his speech to the annual Mansion House dinner, she popped up smiling in the British Treasury's economic progress report.



The Treasury's sponsorship of Mo is not exactly wholehearted. The argument runs roughly that, in 1980 and 1981, the broader monetary aggregates gave too vigorous an impression of output and that a narrower measure would better have reflected the level of transactions within the UK economy. M1 has become less useful for this purpose, because of its high "savings" content, while M2, although perhaps the best measure of transactions, has too short a pedigree. So Mo will do as a proxy until M2 finds its feet.

The Bank of England's opposition to Mo is well known and is most clearly expressed in an article in last December's quarterly bulletin. The central bank concludes – in letters an inch high – that "movements in cash are unlikely to be helpful as a guide to general economic conditions." Mo, as a measure of coin and notes in circulation, money in the till and bankers' deposits with the central bank, is largely what the article was driving at.

More recently, the Bank has kept a deliberately low profile, arguing presumably that it is better to bury Mo than to praise her. Its statistics, however, have done a reasonable demolition job. In the November banking month Mo rose by 1 per cent seasonally adjusted, almost twice as fast as any of the targeted aggregates, even though Mo's medium-term rate of growth is expected to be the lowest of all by a substantial margin.

Both the Bank and the Treasury would accept that Mo is a highly volatile series – mostly because of the wild gyrations in bankers' deposits – and that not too much can be read into one month's figures. That is all very well, but the government securities market could not be depended upon to take such a sanguine view. If Mo were targeted as a measure of transaction balances, the markets would have available a weekly series of monetary data – derived from the banking return – of very doubtful value. The experience of the Federal Reserve with M1 has shown the pitfalls of a volatile weekly series and also the difficulty of ignoring the figures once the market is hooked. For the brokers, of course, the extra gilt-edged volume arising from a weekly panic would compensate delightfully for the pain of negotiated commissions.

A more serious complaint is that, even over the long term, Mo is an unreliable guide. The most common criticism is that it fails to adjust for the diminishing use of cash resulting from credit cards and other bits of plastic. That, however, is not the only problem. One camp may emphasise that, as unemployment rises, the black economy increases and encourages cash usage; another camp may argue that rising unemployment reduces the disposable income of heavy cash users and so has the opposite effect. Both contentions are certainly correct but establishing a balance between one and the other would probably prove beyond the powers of even the most sophisticated econometric model.

The information which Mo provides about shifts in financial or economic behaviour is extremely limited. In particular, it tells no one anything about the corporate sector, in which the amount of ready money bears no relationship to, for example, business loan demand. At best, Mo may shed some light on the pattern of consumer spending.

By linking notes and coin with bankers' deposits and till money, Mo raises the spectre of monetary base control. The Bank is understandably sceptical about this kind of tail-wags-dog monetary approach, while the Treasury is publicly committed not to use Mo as an instrument of direct monetary control, the greater prominence being given to it has been enough to set alarm bells ringing.

As an indicator of velocity, Mo may nevertheless have some purpose. It could, for example, help to elucidate the inflationary potential of a given increase in one of the broader aggregates. But this fails to explain why the authorities wish to highlight, let alone perhaps target mischievous Mo. The measure is too erratic to function as an effective monetary signal and has few of the predictive qualities associated with other aggregates. The components of Mo are already available within the four walls of the Bank of England and the Treasury. Perhaps that is where she should stay.

Int'l Harvester

The U.S. markets have been signalling a decisive turn in International Harvester's fortunes for many months past, so the success of last week's debt restructuring came as little surprise. For those investors brave enough to buy the shares in mid-1982 – or shrewd enough to buy the deeply discounted 12¾ per cent bonds guaranteed by the credit corporation of the group – the banks' decision to refund $3.6bn of borrowings has crowned capital gains of about 300 per cent in 18 months. This puts IH's recovery to date on a rough par with Chrysler's; but beyond the stock market, the parallels end.

The volume gains from the cyclical recovery at Chrysler have produced much fatter margins on the car maker's more vertically integrated operations. The U.S. trucks division to which IH is now looking for most of its profits in the next two years is already starting to generate its own sharp recovery; but it can expect to see far less benefit to margins in what remains essentially an assembly operation. More to the point, any profits made on the trucks are liable to be saddled for some time yet with losses on IH's agricultural equipment group.

However much IH talks about the potential returns on its agricultural equipment businesses, their closure or disposal must now be on the cards. Such a momentous last act in the IH survival drama would require a heavily positive operating cash flow elsewhere to absorb the costs. Last week's restructuring would, at current rates, cut next year's interest charges by about $60m, as well as providing IH with a debt repayment holiday until 1987 on its bank borrowings.

That still leaves a lot hanging on the general recovery. But after operating losses of $2bn since 1979, IH's shares are now trading around $12. In order to justify that price for its newly expanded equity, then assuming a fully diluted prospective p/e of 6 (about in line with the competition today) IH will have to be earning roughly $300m by 1985.

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SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Monday December 19 1983

Happy Christmas from TAYLOR WOODROW

Market dominated by quest for quality Eurocredits

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

THERE is now no escaping the fact that sentiment in the Eurocredit market is dominated by heavy demand for good quality business at almost any price.

Credits for both Belgium and Ireland met heavy demand last week despite low margins which started at only ⅜ points over money market rates. Both were oversubscribed, and on Friday Belgium became the latest in a string of sovereign borrowers to see its loan increased. The amount rose to $800m from $600m.

One feature of the loan was strong demand from U.S banks who were apparently undeterred by the lack of an option to lend at a margin over the lucrative prime rate. Of the 42 banks which initially agreed to take $15m, no less than seven are American and all banks in this category have had their participations cut to $12m despite the loan's increase.

The credit will be signed in Brussels on January 12 and drawn some time in February, so that the proceeds will go towards Belgium's 1984 requirements. Bankers believe that it may be up to a year before Belgium returns to the Eurocredit market and the potential scarcity of Belgian assets may have stimulated extra demand for this operation.

Much the same situation prevails in Ireland, which was offered a £20m increase to £120m in the credit it is arranging through Allied Irish and Lloyd's Bank International. Ireland rejected the increase and as a result commitments of the 13 lead managers will be scaled down to only £7.69m. Syndication is now expected to be limited as some of the lead managers do not wish to sell down their commitments much further.

But a particularly telling indication of the quest for quality credits is a flurry of interest in the market over a possible $100m credit for the Soviet Union's Foreign Trade Bank. Discreet soundings were taking place last week, and although no mandate has been awarded, the response is said to have been positive.

In purely economic terms, the Soviet Union counts as a solid credit risk. In recent years it has also become a rather rare one, but its deals are always overshadowed by East-West politics, which means that the eventual price will have to be pitched very carefully.

In other new deals, Spain's private sector electric utility Hidroelectrica Española is raising about $250m over seven years through Manufacturers Hanover. Part of the credit will be denominated in sterling at a margin of ⅞; the same margin will also apply to contributions in dollars, except that lenders have an alternative of putting up funds at a margin of ⅝ per cent over U.S. prime rates.

This deal is the last in a spate of loans for Spanish utilities, most of which have been smaller, but Hidriolectrica should benefit from its rarity value as it has not tapped the Eurocredit market for two years.

Elsewhere, Portugal's state oil company, Companhia Nacional de Petroquimica, is raising £20m through a two-year credit led by Banque Belge and Samuel Montagu, with a margin of ⅝ per cent over money market rates. Though small, this credit is viewed as an important test for Portugal.

In Latin America, Argentina last week confused its bank creditors by announcing and then withdrawing a freeze on debt payments, including interest through June 1984. In the muddled aftermath it has, however, become clear that the country is unlikely to sign rescheduling agreements covering about $6bn in public sector debt before then. It will also seek to restructure about $14bn in debt falling due next year.

INTERNATIONAL BONDS

Wrong buying climate

BY MARY ANN SIEGHART IN LONDON

LAST WEEK the U.S. dollar reached a 10-year record high against the D-Mark and was at its highest all year against the Swiss franc. What effect has that had on bond market investors?

Dealers in Continental markets usually say that a strong U.S. dollar will dampen investor interest in their markets. Rather than buying D-Mark or Swiss franc bonds, investors will go for Eurodollar ones instead.

That behaviour is presumably based on an incurable optimism about the future of the dollar or maybe even a herd mentality that feeds on itself. Once an upward trend has started, the theory goes, everybody wants to be in on it. That is not necessarily a losing strategy.

Confusion arises, however, when talking to dealers of Eurodollar bonds. Nobody wants to buy dollars, they say, because there is a fear that the dollar has reached its peak and that its only future course is downwards. When it is so strong against Continental currencies, it should make sense to take dollar profits and invest in cheap D-Marks or Swiss francs instead.

Much depends on the investment aims of each individual portfolio – for instance, whether its performance should be measured against the dollar or the D-Mark.

BHF Bank bond average		
Dec 16		Previous
97.847		97.840
High	1983	Low
102.017		97.699

Of course, if investors are dollar-based, anyway, those considerations do not come into play. That is evident in the floating-rate note market, where the chief investors are banks with easy access to dollar funds.

The cynical solution to the apparent paradox might be that if the climate is wrong, investors will use any excuse not to buy bonds. The climate certainly seems wrong for them now.

In the dollar and D-Mark markets, there is still an overhang of unsold paper and little, if any, retail buying interest. No lead has emerged from the New York bond market and short-term interest rates have been edging up. Most people seem to have decided to shut up shop for the year and leave any investment – or borrowing – decisions until January.

Prices drifted marginally lower in all three secondary markets last week, with the D-Mark sector showing losses of up to ½ point and dollars and Swiss francs falling ¼ point. Trading was dull and consisted mainly of dealers tidying up their books for the year-end.

New issue activity in the Eurodollar sector was muted, with only three new bonds being launched – all floaters.

Toronto-Dominion floats rare breed rights issue

BY DAVID LASCELLES IN LONDON

TOP EXECUTIVES from Toronto-Dominion Bank, one of Canada's big five, have been wheeling through Europe in the last few days putting on a road show for a rights issue that is attracting attention for several reasons:

● At C$243m, it is the largest ever made by a Canadian company

● Up to C$100m of it is being underwritten by an international group for sale outside Canada

● Toronto-Dominion is already the best capitalised bank in Canada, so why does it need more equity?

A couple of Canadian companies – Bell Canada and Alcan – have recently sold shares on foreign markets, underlining the growth of a Eurobond-style international primary market for equities. But the Toronto-Dominion issue belongs to a rare breed – internationally underwritten rights issue.

As with a normal rights issue, Toronto-Dominion's shareholders will be offered the chance to buy extra shares – in this case one for seven – at a slight discount to the market price. But in Canada, rights issues are not normally underwritten by an issuing house; instead a group of dealers gets together at the end to bid for the unsubscribed shares.

In this case, an 11-strong international underwriting syndicate headed by McLeod Young Weir, the Toronto investment dealer, and Kleinwort Benson, the UK merchant bank, have agreed to buy up to C$100m worth of unsold shares after the closing date on January 10.

These will be offered for sale on major foreign markets in Europe and the Far East – though not in the U.S. because Toronto-Dominion's securities are not registered with the SEC.

Mr Richard Thomson, the bank's chairman, said he wanted to raise the foreign ownership of the bank, which at 3.5 per cent is low by Canadian standards. "Shareholding goes hand in hand with business" he said, noting that the issue will get the bank's name better-known among foreign financial institutions.

The issue has attracted favourable comment and there is a chance that the international syndicate will be left with less than C$100m to sell.

The syndicate members are Amro, Burns Fry, Deutsche Bank, Midland Doherty, Morgan Stanley, Nikko Securities, UBS, Warburg and Wood Gundy.

This is Toronto-Dominions first rights issue for nearly 10 years, and it is a good candidate for the international market. Although it is the smallest of the "big five" (assets C$42bn), it is the most profitable, and has a good record of innovation and loan loss.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
Brown Boveri §‡	57	1995	12	4¼	100	SBCI, CSFB, UBS Secs.	4.250
Denmark **†Q††‡	150	1991	7	⅜	100	Salomon Bros.	–
Genfinance †‡	100	1994	10	⅛	100	Mgn. Stanley, Soc. Gen. de Bque.	–
Morgan Grenfell †‡	50	1994	10	⅛	100	Mgn. Stanley, Mgn. Grenfell, Mgn. Guaranty	–
Crédit Lyonnais †‡	250	1996	12	4⅛	100	Credit Lyonnais, Sal. Bros., CSFB, Merrill Lynch, Nomura Intl.	–
Swan Brewery ††‡	135	1998	15	14⅞	99¼	Drexel Burnham	15.093
Creditanstalt †Ⓘ‡	125	1994	10	⅛	100	Mgn. Stanley, EBC, CSFB, Saml. Montagu, SBCI	–
D-MARK							
Olivetti Intl. ‡	100	1991	7	8¼	99½	Deutsche Bank	8.347
IBJ Fin. ** ‡	100	1989	5¼	7½	99¾	Deutsche Bank	7.547
SWISS FRANCS							
Tokyo Sanyo **§‡	150	1989	–	2½	100	SBC	2.500
Kurabo Inds. **§‡	50	1989	–	2⅝	100	CS	2.625
Iwatsu Electric **§‡	50	1989	–	2½	100	UBS	2.500
Daiwa Denchi **¶‡	50	1989	–	4	100	UBS	4.000
GTE Fin. ‡‡	100	1994	–	9	–	Soditic	9.000
Eli Lilly Fin. ‡‡	100	1996	–	7	–	SBC	7.000
Osaka Soda **§‡	20	1989	–	2¾	100	CS	2.750
IADB **‡	100	1990	–	6	99¾	UBS	6.051
All Nippon Airways §	100	1994	–	2⅞	100	SBC	*
STERLING							
Spain (p) ‡	50	1988	5	12	99.893	Samuel Montagu	12.038
Mtge. Bk. of Denmark †(b)‡	50	1993	10	$\frac{3}{16}$	100	Hambros Bk., LTCB, Man. Hanover, Mitsui Tst.	–
GUILDERS							
ABN **‡	200	1989	5	8	99½	ABN	8.126
CNT ‡	100	1996	8	9	100	ABN	9.000
ECUs							
Soc. de. Dev. Regional ‡	20	1990	5	11½	100	BNP, Paribas, Soc. Gen., BBL, Nomura	11.125
Soc. de Dev. Regional ‡	20	1995	10	11⅝	100	As above	11.625
Compagnie Bancaire	37.2	1990	5.425	11	*	Paribas, Kredietbank Lux.	*
YEN							
World Bank ‡	20bn	1995	10.32	7.6	99.35	Yamaichi Secs.	7.832
Eurovias **‡	5bn	1993	9	8.4	99.85	Yamaichi Secs.	8.600

* Not yet priced. ‡ Final terms. ** Placement. § Convertible. † Floating rate note: coupon is spread over 6-month Libor. (b) Spread over 3-month Libor. (p) Partly paid. Q Spread under prime with CD cap. ¶ With warrants. ‡ Dual currency issue repayable in dollars. Ⓘ Increased. ‡‡ Registered with U.S. S.E.C. Note: Yields are calculated on AIBD basis.

INTERNATIONAL COMPANIES and APPOINTMENTS

U.S. BONDS

Fed policymakers to meet amid fierce debate on economy

THE Federal Reserve's policy-making Open Market Committee (FOMC) meets tomorrow against the backdrop of a fierce debate on Wall Street, and in the Administration, over the state of the economy, short-term U.S. interest rates and the inflation trend. This debate is taking place in an increasingly heated political atmosphere.

The meeting also coincides with a sagging credit market, a soaring dollar and an uncertain equity market.

For these reasons this month's FOMC meeting is being heralded as of particular importance. But despite this the committee is not expected to "take any sharp policy turns."

U.S. INTEREST RATES (%)

	Week to Dec 16	Week to Dec 9
Fed funds weekly average	9.52	9.49
3-month CDs	10.00	9.70
3-month T-bills	9.09	8.92
30-year Treasury bond	11.95	11.90
AAA Utility	13.00	13.00
AA Industrial	12.75	12.75

Source: Salomon Bros (estimates)

For the week ended December 7 M1 increased by $5.5bn to $522.7bn.

The latest buzzword on Wall Street is "fine tuning." Aside from being a general admittance that no one is really sure what the Fed is up to right now, the terminology also reflects a recognition that monetary policy has—for the time being—indeed moved into a different phase.

The basic problems the Fed faces are old and familiar. Under pressure from all sides it must steer an increasingly difficult course between maintaining the recovery—albeit at a more sober pace—without reigning inflation or inflationary fears which would damage its credibility.

The reality is that both the Fed's credibility and its perceived current policy are already under attack from various quarters. As a result its room for manoeuvre is extremely narrow.

Ahead of the FOMC meeting many Wall Street analysts have been forced to make their own predictions for next year. Last week brought forth another gloomy crop of interest rate projections. Basically most observers see rates at the end of 1984 being higher than now, but disagree on the short- to medium-term prospects. This reflects differences of opinion over the degree to which the pace of economic expansion will slow in the first half and over how the Fed will respond.

In the meantime the credit markets are basically marking time, with trading generally thin and little retail interest. Last week saw bond prices fall for most of the week, with the Treasury long bond touching a low of 99 23-32 on Wednesday and producing the highest yield —12.04 per cent—since August.

On Friday the market attempted a short-lived and somewhat modest rally prompted by the much better than expected 0.2 per cent decline in the November Producer Price index. Nevertheless this failed to wipe out earlier losses and the long bond closed the week 11/32 lower at 100¼ to yield 11.94 per cent.

There was little reaction to the news late on Friday that M1, the basic U.S. money supply, grew by $5.5bn in the latest statement week. A big bulge, caused by seasonal and technical factors like social security payments, had been widely expected.

Of more concern is the immediate short-term interest rate picture and the looming end-month flood of new Treasury paper.

Last week money market rates continued to move higher spurred by a firm Fed funds rate, which climbed to more than 10 per cent at one point before closing the week at 9.73 per cent. Treasury bill rates increased by five to ten basis points while CD and other private instrument rates posted gains of 20 to 50 basis points.

Late in the week the Treasury announced plans to auction $8.25bn of two-year notes next Wednesday.

Paul Taylor

Barlow to pay R96m for steel and building groups

BY OUR JOHANNESBURG CORRESPONDENT

BARLOW RAND, the South African mining and industrial group, is to increase its building products and steel merchandising interests with the purchase for R96.2m ($78.2m) cash of two divisions of the Hunt Leuchars and Hepburn (HLH) group.

Robor Industrial Holdings, which is Barlow's steel stockholding subsidiary and which makes its Johannesburg Stock Exchange debut today, is to acquire Wolhuter Steel from HLH for a net asset value of about R50m. Barlow itself is to acquire W. F. Johnstone for R46.2m.

W. F. Johnstone owns 84 per cent of the building products distributor, Blaikie-Johnstone, and it is intended that the latter's Johannesburg listing will be retained. Barlow's intention is to put its Federated Timbers building products and mining supplies subsidiary into Blaikie-Johnstone in the near future.

HLH is to retain its extensive timber growing and saw milling interests and proposes to reinvest the cash it receives from Barlow in these operations.

Mr John Maree, Barlow director, says that the group's overall strategy is to ensure that the operations of all its major divisions are in public quoted companies and that this in part motivated acceptance of HLH's offer to sell its stake in Blaikie-Johnstone.

Air Canada hopes to move out of the red

BY ROBERT GIBBENS IN MONTREAL

AIR CANADA, the Canadian State-owned airline, expects a reduced loss for 1983 and hopes to move out of the red in 1984.

Against a deficit of C$32.6m (U.S.$26m) after tax in 1982, the airline reckons to emerge from this year with losses of between C$15m and C$20m.

The company is putting forward a tentative estimate of C$20m for profits in 1984, although plainly much hinges on the outlook for load factors.

Traffic in October rose for the first time in 14 months and the better trend continued through November and early December.

● Losses at the government-owned Canadair, the airframe manufacturer, slowed in the first nine months of 1983, because of major cuts in overheads, but results at De Havilland Aircraft of Canada, continued to deteriorate.

Both companies have been severely hit by the recession over the past two years, and have required major infusions of government funds to keep them afloat in the face of rapidly falling revenues.

Canadair posted a loss of C$166m, including interest, against C$278m a year earlier. De Havilland Canada had a loss of C$123m, against a profit of C$5m.

Murdoch holds 7% of Warner

By William Hall in New York

MR RUPERT MURDOCH has increased his stake in Warner Communications, the troubled U.S. entertainment and computer conglomerate, to 7 per cent.

The Australian publisher's companies have bought a further 133,400 shares in Warner, according to a filing with the Securities and Exchange Commission.

Since Mr Murdoch's interest in Warner was first disclosed his group has spent more than $100m in acquiring a strategic stake in the company, which has been hit by heavy losses at its Atari computer unit. Mr Murdoch has denied that his companies want to take over Warner.

Warner is presently valued at $1.5bn, but Wall Street analysts believe that any potential bidder would be forced to pay closer to $2bn for the company.

Warner is known to be worried that Mr Murdoch's interest could "adversely affect" Warner's relations with "certain of its creative personnel" and could threaten the loss-making joint cable TV venture with American Express.

Swiss bankers plan special crisis fund

BY JOHN WICKS IN ZURICH

THE SWISS banking industry is planning to set up a special "fire brigade" fund to allow immediate payment to depositors in the event of bank failures. A convention is expected to be announced following the next meeting (in March) of the Swiss Bankers' Association.

The fund would probably foresee contributions from the signatory banks in respect of deposits of at least SwFr 20,000 ($9,000). The scheme is intended to obviate delays of months, or even years, on the part of banks involved in bankruptcy proceedings. Some form of deposit insurance is already contained both in the coming "banking motion" referendum of the Social Democratic Party and in the draft of a new Banking Bill.

However, the Bankers' Association is underlaking a project of its own since its members have shown a preference for an ad hoc system to the formation of a permanent contingency fund.

The cantonal banks, which have previously rejected the idea of a fund in that they themselves in most cases have state guarantees, have expressly said they would take part in the association's scheme.

Australian broking industry move

BY OUR FINANCIAL STAFF

AUSTRALIAN Associated Stock Exchanges (AASE) will amend its submission on stock exchange rules to reflect an agreement reached with banks and life insurance offices on ownership of stockbroking firms.

The Trade Practices Commission said it expects to be able to deal promptly with the amended application as soon as it is received.

The AASE is believed to have agreed to eventual 100 per cent unrestricted ownership of stockbroking firms by banks and insurance companies.

INTERNATIONAL APPOINTMENTS

Vice-chairmen elected at Phibro-Salomon

● PHIBRO-SALOMON INC. has elected **Mr Thomas D. O'Malley** and **Mr Henry Kaufman** vice-chairmen from January 1.

Mr O'Malley, who has served since March 1982 as president and chief executive officer of Philipp Brothers, Inc., commodities marketing subsidiary of Phibro-Salomon, is also resigning those positions to become president and chief executive of a new crude oil and oil products subsidiary being established by Phibro-Salomon Inc. Succeeding Mr O'Malley as president and chief executive officer of Philipp Brothers, Inc., is **Mr Alan Flacks**, formerly chairman of the European executive committee of Philipp Brothers. Mr Flacks was also elected an executive vice-president of Phibro-Salomon Inc. Mr Flacks has served Philipp Brothers in numerous positions around the world including Italy, India, Switzerland and England.

● **Mr William R. Howell**, chairman of the board and chief executive officer of J. C. Penney Company, Inc., has been elected to the board of WARNER LAMBERT COMPANY. He joined J. C. Penney in 1958 as a management trainee. He is also a director of Exxon Corp.

● **Ms Marion G. Durk** has been elected vice-president, corporate relations, by AM INTERNATIONAL. She has been staff vice-president, corporate relations, since August.

● **Mr Robert E. Mercer**, chairman of the board and chief executive officer of The Goodyear Tire and Rubber Company, has been elected to the board of MANUFACTURERS HANOVER CORP. and MANUFACTURERS HANOVER TRUST COMPANY.

● **Mr Robert J. Carlson**, president and a director of United Technologies Corp., Hartford, Connecticut, has been elected to the CIGNA CORP. board from January 1.

● **Mr Daniel Wagniere** has been appointed a deputy member of the management committee of SANDOZ, Basle-based chemical company, from January 1. **Prof. Peter Berchtold**, pharmaceuticals, and **Dr Rudolf Waeger**, parent-company central services, become heads of department.

● AMERICAN EXPRESS INTERNATIONAL BANKING CORP. has named **Mr Paul D. Feldman** vice-president, public affairs. He was director of corporate affairs and communications, American Express Company. He will be responsible for developing overall public relations strategy for AEIBC worldwide, and, in addition, will be involved in the advertising of AEIBC and Trade Development Bank (which joined the American Express family in March) and will also support the cultural, foundation and internal activities of AEIBC.

● PORTINAX DEVELOPMENT, New York, has made two board appointments: **Mr Harry F. Cavanaugh** will be responsible for manufacture and finance and **Mr John M. Rooney** for sales and promotion. Mr Cavanaugh has been a consultant with Chase Manhattan Bank and an executive with General Foods Corp. and Foodco, both of New York. He will be based in West Palm Beach, Florida. Mr Rooney has been vice-president of sales and marketing of the Greenwich Mills subsidiary La Touraine Coffee Co. He will be based at Olympic Tower, New York City.

● **Mr Geoff Earnshaw** has been seconded by NATIONAL WESTMINSTER BANK to Lombard (New Zealand), wholly-owned merchant bank subsidiary of National Westminster Finance New Zealand, to develop foreign exchange services for the customers of the New Zealand Group. Mr Earnshaw was a dealer for National Westminster Bank Financial Futures based in London.

● **Mr Gordon P. Osler** has been named chairman of TRANS-CANADA PIPELINES. His appointment follows the resignation as chairman of Mr John M. Beddome. Mr Beddome, president and chief operating officer of Dome Petroleum, and Mr William E. Richards, former president of Dome Petroleum, resigned from the board on December 5, following the sale of all shares of TransCanada held by Dome Canada to Bell Canada Enterprises. Mr Osler is chairman of Stanton Pipes of Toronto. He has been a director of TransCanada since 1954. **Mr Allan R. Taylor** and **Mr Gerry J. Maier** were both named to the board as directors.

● THE BOSTON CONSULTING GROUP has elected **Mr David G. Owens**, **Mr Larry A. Smith** (Chicago office) and **Mrs J. Felix Barber** (London office) as directors and vice presidents.

● SALOMON BROTHERS INC has appointed 13 managing directors from January 1. They are: **Mr John G. Brim, Mr David F. De Lucia, Mr Warren M. Foss, Jr, Mr A. Michael Frinquelli, Mr Richard F. Leahy, Mr Robert D. Maum, Mr H. C. Bowen Smith, Mr C. Daniel Tyree** and **Mr Kendrick R. Wilson III** in New York; **Mr Eugene R. Dattel** in Tokyo, **Mr Mark E. Field** in Chicago, **Mr Bruce L. Koepfgen** in Atlanta and **Mr Robert W. Matschullat** in San Francisco.

● **Mr George H. Ashmore** has been elected president of ITT CANNON-North America. He had been general manager of ITT Cannon's Phoenix division. He was named general manager of the Phoenix unit in September 1979.

● AMAX has designated executive vice president **Mr Martin V. Alonzo** as chief financial officer. He was responsible for the company's specialty and light metals operations. He is also a member of the board of AMAX's 50 per cent-owned aluminium company, Alumax Inc.

● **Mr Yves-Andre Istel** is joining the FIRST BOSTON CORP. to spearhead the investment banking firm's development of international corporate finance business and client relationships primarily in continental Europe. He will be a managing director of First Boston, of New York, and co-chairman of First Boston International, a subsidiary.

● **Mr Franz Schmitz**, former general manager of Swiss Bank Corp. has succeeded **Mr Ettore Lolli** as board chairman of the RIUNIONE ADRIATICA DI SICURTA. Mr Lolli has become honorary chairman.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex O/S Fin. 10¾ 90	100	93½	94	−0⅛	0	11.68
Australia Com. 11¾ 90	100	100⅛	100⅜	+0⅛	−0¼	11.12
Australia Com. 11½ 95	300	95⅝	96⅛	+0⅛	−0⅛	12.16
Australia Com. 11⅝ 98	100	96¼	96¾	0	−0¼	12.15
Bk. of Tokyo Hd. 11 90	100	93⅝	94⅛	0	−0⅛	12.43
Bnt. Col. Hyd. 10¾ 88	200	95½	96	0	−0⅛	11.54
Britoil Fin. 11⅞ 90	125	99	99½	+0⅛	−0⅛	12.02
Canada 10⅞ 88	500	98⅛	98⅜	−0⅛	0	11.27
CCCE 11¾ 97	100	92⅜	92⅞	0	+0¼	12.91
CCCE 12⅝ 95	75	98½	99	0	+0¼	12.81
CIBC 11 90	75	92	93	+0⅛	0	12.75
Citicorp O/S 10⅞ 90	100	90¼	90¾	0	−0⅛	12.59
Citicorp O/S 11¾ 90	100	96¾	97¼	+0⅛	0	12.40
Cr. Suisse Bah. 10½ 90	150	97⅜	98⅛	+0⅛	0	10.93
Den. Norsk Crd. 11¼ 93	50	92⅛	92⅝	−0⅛	−0⅛	12.62
ECSC 11⅞ 90	75	98⅜	98⅞	−0⅛	−0⅛	12.15
EDF 11⅛ 93	100	91⅛	91⅝	0	−0⅛	12.72
EEC 11 87	350	97⅝	98⅛	0	−0⅛	11.66
EIB 10⅝ 93	200	89⅝	90⅛	−0⅛	−0⅛	12.59
EIB 11 91	125	93⅜	93⅞	−0⅛	−0⅛	12.36
Eksportfinans 11½ 90	100	95⅜	95⅞	−0⅛	−0⅛	12.47
Electrolux 10½ 90	50	92	92½	+0⅛	−0⅛	12.27
Ensearch Fin. 11⅝ 93	100	95½	96	0	+0⅛	12.39
Fuji Int. Fin. 10⅞ 90	100	92	92½	+0⅛	0	12.67
GMAC O/S Fin. 11⅜ 90	100	99⅜	99⅝	0	+0⅛	11.49
Honeywell Int. 10⅝ 90	100	95⅜	95⅞	+0⅛	0	11.74
IC Indust. Fin. 11⅞ 98	75	95⅝	96⅛	+0⅛	0	12.50
Ind. Bk. Japan 10⅞ 88	100	96¾	97¼	0	0	11.75
Ind. B. Japan 11⅞ 91	100	97¼	97¾	+0⅛	0	12.38
ITT Finan. 11½ 89 WW	125	98	98½	+0⅛	+0⅛	11.92
Japan Air Lines 10⅞ 98	42	90¾	91¼	+0⅛	−0⅛	12.21
Japan Air Lines 11 93	75	93¾	94¼	0	−0⅛	12.07
J. C. Penney 11⅞ 90	100	100	100½	+0⅛	+0⅛	11.80
J. P. Mrgn. 11⅜ 90 WW	150	96½	97	0	−0⅛	12.08
Levi Strauss Int. 11 90	75	96⅜	96⅞	+0⅛	+0⅛	11.91
LTCB 10¾ 90	100	91⅞	92⅜	0	0	12.56
LTCB 12½ 90	85	100¼	100¾	+0⅛	+0⅛	12.36
Merrill Lynch 10⅝ 90	200	93⅜	93⅞	−0⅛	−0⅛	12.08
Mitsubishi Cpn. 10½ 90	100	92⅜	92⅞	−0⅛	−0⅛	12.20
Mitsubishi Fin. 11⅜ 90	100	94⅛	94⅝	0	−0⅛	12.65
Nippon Credit 11 90	100	92½	93	0	−0⅛	12.68
Nippon Credit 11⅞ 90	100	96⅝	97⅛	0	+0⅛	12.57
Ontario Hydro 10⅝ 90	250	92⅞	93⅜	+0⅛	−0⅛	11.80
Ontario Hydro 11⅜ 90	200	100½	101	+0⅛	+0⅛	11.59
Pacific Gas & El. 12 91	75	101	101½	−0⅛	−0½	11.73
PK Banken 12 90 WW	75	98	98½	−0⅛	−0⅛	12.84
Quebec Hydro 11½ 92	100	†96⅞	97⅜	0	−0⅛	12.04
Sasktchwn. Pr. 10⅝ 90	125	94⅝	95⅛	+0⅛	−0½	11.93
Sears O/S Fin. 11½ 88	125	100⅞	101⅜	+0⅛	+0⅛	11.19
Sears O/S Fin. 11⅝ 93	150	97⅜	97⅞	+0⅛	−0⅛	12.03
S. Cal. Edison 10½ 90	75	94⅝	95⅛	+0⅛	−0⅛	11.65
Sumitomo Fin. 10⅞ 90	100	92	92½	0	0	[illegible]
Texaco Capital 10½ 93	200	93¾	94¼	0	0	11.54
UBS 10 88	100	98	98½	+0⅛	+0⅛	10.48
World Bank 11¼ 88	100	98⅜	98⅞	+0⅛	+0⅛	11.61
World Bank 11⅜ 90	200	95⅜	95⅞	+0⅛	−0⅛	12.21
World Bank 11½ 90	150	96⅜	96⅞	0	−0⅛	12.24
World Bank 12 93	200	98⅝	99⅛	+0⅛	−0⅛	12.18

Average price changes... On day 0 on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Air Canada 7¾ 93	100	99	99½	+0⅛	+0⅛	7.48
Arab Bnkg. Cpn. 8 88	100	95⅜	95⅞	0	−0⅛	9.19
Asian Dev. Bk. 8½ 93	200	99½	100	+0⅛	+0⅛	8.53
Austria, Rep. 7⅝ 89	100	100⅜	100⅞	0	+0½	7.50
Austria, Rep. 8 93	100	101	101½	+0⅛	+0⅛	7.80
Avon Int. Fin. 7½ 93	100	100⅜	100⅞	−0⅛	−0⅛	7.40
Barclays O/S 8⅛ 98	250	98⅛	98⅝	0	+0⅛	8.32
Beatrice Foods 7⅝ 93	130	102½	103	−0⅛	−0⅛	7.36
BFCE 8¼ 90	150	100½	101	+0⅛	−0⅛	8.08
Dresdner Fin. 4 90 WW	250	106	106½	−0⅛	−1⅛	2.93
Dresdner Fin. 4 90 XW	250	82½	83	−0⅛	−0⅛	7.42
ECSC 8 90	160	99⅛	99⅝	0	−0⅛	8.11
EEC 8¼ 93	250	98⅛	98⅝	−0⅛	−0⅛	8.47
EIB 8 93	200	97½	98	+0⅛	0	8.34

SWISS FRANC STRAIGHTS (continued)	Issued	Bid	Offer	Change on day	Change on week	Yield
Quebec Province 5⅝ 93	100	99⅝	99⅞	−0⅛	−0⅛	5.68
Shikoku Elec. Pwr. 6 91	100	102⅝	102⅞	+0⅛	+0⅛	5.64
Sumitomo Hvy. I. 6 91	100	†101½	102	+0⅛	+0⅛	5.71
Tokyo Elec. Pwr. 5⅞ 91	100	[illegible]	[illegible]	[illegible]	[illegible]	5.53
Trizec Corpn. 6⅛ 93	100	[illegible]	[illegible]	[illegible]	[illegible]	6.12

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 8⅝ 92	15	[illegible]	[illegible]	[illegible]	[illegible]	7.56
EIB 8¾ 92	15	[illegible]	[illegible]	[illegible]	[illegible]	7.68
Int.-Am. Dv. Bk. 7⅝ 93	15	[illegible]	[illegible]	[illegible]	[illegible]	7.78
New Zealand 7⅞ 89	15	[illegible]	[illegible]	[illegible]	[illegible]	6.91
World Bank 7⅞ 93	20	[illegible]	[illegible]	[illegible]	[illegible]	7.55

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Farm Credit 12¼ 90 C$	75	[illegible]	[illegible]	[illegible]	[illegible]	12.20
Loblaw 12½ 90 C$	35	[illegible]	[illegible]	[illegible]	[illegible]	12.98
TD Mt. Cpn. 12½ 88 C$	40	[illegible]	[illegible]	[illegible]	[illegible]	12.24
Quebec Hyd. 12¾ 93 C$	50	[illegible]	[illegible]	[illegible]	[illegible]	12.50
Royal Trstco. 12¾ 88 C$	50	[illegible]	[illegible]	[illegible]	[illegible]	12.26
World Bank 12¼ 90 C$	75	[illegible]	[illegible]	[illegible]	[illegible]	12.20
Xerox Canada 12 88 C$	40	[illegible]	[illegible]	[illegible]	[illegible]	11.32
EIB 11⅛ 93 ECU	50	[illegible]	[illegible]	[illegible]	[illegible]	10.92
Genfinance 11 90 ECU	60	[illegible]	[illegible]	[illegible]	[illegible]	11.22
Algemene Bk. 8⅝ 88 Fl	150	[illegible]	[illegible]	[illegible]	[illegible]	7.97
Bk. Mees Hope 9 88 Fl	75	[illegible]	[illegible]	[illegible]	[illegible]	8.16
Elec. Sup. Bd. 8⅝ 88 Fl	75	[illegible]	[illegible]	[illegible]	[illegible]	9.47
PHP 8¾ 88 Fl	50	[illegible]	[illegible]	[illegible]	[illegible]	8.10
Sw. Ex. Cred. 7¾ 88 Fl	100	[illegible]	[illegible]	[illegible]	[illegible]	8.71
World Bank 9 88 Fl	100	[illegible]	[illegible]	[illegible]	[illegible]	8.22
OKB 14 86 FFr	400	[illegible]	[illegible]	[illegible]	[illegible]	13.02
Solvay et C. 14¾ 86 FFr	200	[illegible]	[illegible]	[illegible]	[illegible]	13.22
BFCE 11½ 88 £	50	[illegible]	[illegible]	[illegible]	[illegible]	11.76
British Oxyg. 11¾ 91 £	50	[illegible]	[illegible]	[illegible]	[illegible]	11.66
CEPME 11⅛ 95 £	35	[illegible]	[illegible]	[illegible]	[illegible]	10.72
Ciba-Geigy Int. 6¾ 93 £	25	[illegible]	[illegible]	[illegible]	[illegible]	6.85
EEC 11⅞ 91 £	50	[illegible]	[illegible]	[illegible]	[illegible]	11.67
EEC 11⅞ 93 £	50	[illegible]	[illegible]	[illegible]	[illegible]	11.73
Fin. for Ind. 10½ 90 £	20	[illegible]	[illegible]	[illegible]	[illegible]	11.62
Finland Rep. 11⅞ 88 £	50	[illegible]	[illegible]	[illegible]	[illegible]	11.70
Gen. Elec. Co. 12½ 89 £	50	[illegible]	[illegible]	[illegible]	[illegible]	11.34
III 10¾ 93 £	25	[illegible]	[illegible]	[illegible]	[illegible]	11.61
III 11½ 91 WW £	50	[illegible]	[illegible]	[illegible]	[illegible]	11.59
Mort. Bk. Fin. 11¾ 89 £	15	[illegible]	[illegible]	[illegible]	[illegible]	12.14
Norsk Hydro 12 90 £	30	[illegible]	[illegible]	[illegible]	[illegible]	11.80
Sweden 11¾ 93 £	50	[illegible]	[illegible]	[illegible]	[illegible]	11.51
Sw. Ex. Cred. 11⅛ 88 £	30	[illegible]	[illegible]	[illegible]	[illegible]	11.61
World Bank 11⅛ 88 £	100	[illegible]	[illegible]	[illegible]	[illegible]	11.41
Eurofima 10 91 LuxFr	600	[illegible]	[illegible]	[illegible]	[illegible]	10.06
Europarat 10⅜ 93 LuxFr	600	[illegible]	[illegible]	[illegible]	[illegible]	10.62

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
BFCE 5⅛ 88	0¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Caisse Nat. Tele. 5⅛ 90	0¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CCF 5⅛ 95	0¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CCF 5⅛ 98	0¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CEPME 5⅛ 88 WW	0¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CEPME 5⅛ 92	0¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Chemical NY 5⅛ 94	‡0¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CNCA 5⅛ 95 XW	0¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CNT 5⅛ 91	0¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Foncier 5⅛ 93	0¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Lyonnais 5⅛ 94	0¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Lyonnais 5⅛ 97	0¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark 5⅛ 90	0¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dresdner F. 5⅛ 93 XW	0¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EDF 5⅛ 95 XW	0¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EEC 5 90	0¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
First Interstate 5⅛ 95	0¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GZB 5⅛ 96	0¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hispano 5⅛ 95	0¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NZ Steel Dev. 5⅛ 92	0¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Saitama Int. 5⅛ 93	0¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Societe Gen. 5⅛ 90 XW	0¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EUROBOND TURNOVER

(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week	7,497.2	11,610.7
Previous week	5,294.2	9,813.3
Other bonds		
Last week	1,702.6	1,571.8
Previous week	1,128.0	957.4

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg.day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bank of Tokyo International; Blyth, Eastman, Paine, Webber International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) London; Daiwa Europe NV; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nomura International; Orion Royal Bank; Robert Fleming and Co.; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on December 16

Pegi calls off plan to purchase Dunlop holding

BY WILLIAM DAWKINS

Dunlop's attempts to reduce its £398m borrowings have been dealt a severe blow following the collapse of the troubled tyre and rubber product company's plans to sell a stake in Dunlop Malaysian Industries (DMI) to Pegi Malaysia Berhad.

Pegi, which is the group's biggest shareholder with 26.6 per cent of its equity, agreed last February to pay £58m for a 25.5 per cent stake in Dunlop's Malaysian operations.

But when it became clear that the Malaysian Foreign Investment Committee (FIC) was unlikely to approve Pegi's application for the deal, the arrangement was terminated.

If the deal had gone through, Dunlop could have reduced its £56m annual financing charges by around £6m at a stroke and pulled borrowings below shareholders' funds of £380m.

Dunlop said yesterday that the cancellation, announced last Friday, was by mutual consent since the sale was conditional on the Malaysian Government's permission. But it has not been informed by the FIC why government consent was unlikely to be given.

In a deal announced in July 1982, Pegi was to have acquired Dunlop's entire 51 per cent share in DMI for £73m to be paid over two years.

The two companies decided to change the arrangement last February because of financial contraints on Pegi, which could be required by Malaysian law to buy out the remaining 49 per cent minority on the same terms.

Pegi was also keen for Dunlop to retain its equity stake, since under the original £73m agreement, the British group would have continued to provide management services, technical aid and trade mark rights.

DMI made £10m before tax in the year to last December, around the same figure as the previous 12 months. Under the Government's Bumiputra indigenous ownership policy, Dunlop will still have to reduce its stake in the operation to 30 per cent or less by 1990.

Dunlop said yesterday that it was disappointed at the cancellation, and that it was open to further offers for the operation. Sime Darby, the Malaysian plantations and industrial group, is known to be interested, although it has not made a formal approach. Tunku Ahmad, Sime's chief executive, used to be managing director of DMI.

Dunlop's fortunes have been at a particularly low ebb this year. Earlier this month, it learned that a former director, Mr John Simon, was trying to put together a consortium of institutional investors to bid for the group. In the six months to June 30, the company produced a pre-tax loss of £8m, having lost £7m in the whole of the previous year.

Last month, Sir Campbell Fraser retired as group chairman amid speculation—denied by the company—that he had been under pressure to stand down by Pegi and the two directors it has on the Dunlop board.

In September, Dunlop announced that it was to sell most of its European tyre business to Sumitomo of Japan, and only weeks later its French tyre operations filed for bankruptcy.

Dunlop's shares, which were dropped last month from the FT 30 share index, stood at 39p, down 3p on Friday night.

Oceonics profits decline at midterm

AGAINST a background of difficult conditions in the offshore oil and gas industry **Oceonics Group** achieved first half taxable profits of £2.14m compared with a restated £2.99m.

Last year's comparative figures have been restated to include the results of Intersite Surveys BV and Intersite Surveys, which were acquired last January.

Oceonics, which supplies high technology equipment ot the offshore oil and gas industry, experienced a fall in turnover from £16.48m to £15.55m and in operating profits to £2.39m against £3.14m. In the year to the end of March, turnover totalled £31.08m and it made taxable profits of £5.4m.

Mr R. F. Aird, chairman, considers the first half performance as "relatively strong," and adds that it was made possible by the broadly based range of services created by the integration of Oceonic's electronics business with that of the Geosite survey group.

In addition, he says, the international spread of the group's operations has allowed the "most efficient" use of its mobile resources with the result that high workloads have been maintained in China, the Middle East, Indonesia, Canada and the North Sea. Activity in Australia, Egypt, Malaysia and the U.S. has increased, he states.

Recently the company has acquired Egyptian Services, established a joint venture with a local partner in Norway and purchased a half share in the established North Sea positioning chain, Consyl.

These investments have been made from a financial base strengthened by the raising of £8m of new capital in September's move from the USM to a full listing.

Interim profits benefited from income of £71,000 from shares in related companies and higher interest receivable of £154,000 (£79,000), but interest payable rose to £476,000 (£229,000).

The attributable balance was £1.88m (£2.31m)

Grosvenor Square Properties set for placing on USM

BY ALISON HOGAN

SEVERAL property companies are gearing up for a public quotation in 1984. They have been heartened by the performance of the property sector which has rallied in the last couple of months and out-performed the market.

But they are also keeping a close eye on key stocks like London and Edinburgh Trust which came to the market in November at 150p per share, rose to 155p, but which has since fallen back to 142p.

One of the first off the mark is expected to be **Grosvenor Square Properties Group** which hopes to come to the USM probably in January.

Directors Mr Paul Marber and Mr Peter Nelkin formed the group in 1976 after their earlier company, Grosvenor Square Property Company, got into trouble during the 1974-75 property collapse. The third executive director Mr John Holt, joined soon after.

The new group's first development got underway in 1978. It has used forward funding in many projects to reduce risk, though the self-financing element has grown as the company has got bigger.

Today it has a £30m development programme in 14 different projects and has completed a further six schemes valued at over £12.5m.

The projects are all in the London suburbs and Home Counties, mainly office and retail with some light industrial developments. Recently, the group ventured into central London where it is doing a renovation on a typical Mayfair "town house" in Conduit Street and has purchased an office building in Bishopsgate EC which it plans to renovate gradually as leases expire.

Grosvenor Square has developed a reputation for making an imaginative use of awkward sites and situations. AMD House in Woking, Surrey, forward funded by the National Water Council and let to a microchip company, was expected to be a seven-storey building to accomodate 11,705 sq ft of lettable office space. Grosvenor Square managed to design a building which provided that space on four floors.

The group has recently acquired a site in Westchester County, in the U.S. for a 45,000 sq ft three-storey office block for which finance is being negotiated. Chairman Mr Paul Marber hopes—further developments may follow, if this one is successful—possibly in conjunction with smaller institutions which might hesitate to undertake the development themselves.

Grosvenor Square made pre-tax profits of £653,000 in the year to March 1983 and has made something close to that figure again in the first six months of the current year.

The directors are planning to give up from 20 to 25 per cent of the equity by way of a placing and will raise around £1.5m of which a third will be from new shares.

Brokers Phillips and Drew will be closely watching the fortunes of share prices of such stocks as London and Edinburgh and Speyhawk over the next couple of weeks before it decides on how to price the shares.

COMPANY NEWS IN BRIEF

Baring Brothers, on behalf of **Phicom**, states that acceptances have been received in respect of 14,707,348 new ordinary shares, representing approximately 92.5 per cent of the issue.

The balance of the issue has been sold in the market at a price of 29p per share.

* * *

The following securities have been added to the Share Information Service:

Acorn Computer Group (Section: Electricals)
Bryson Oil and Gas Limited (Oil and Gas)
Eastern Transvaal Consolidated Mines Limited (Mines—Miscellaneous)
French Connection Group (Stores)
Logica (Electricals)
Peters (Michael) Group (Paper, Printing, Advertising)

* * *

Higher losses were incurred by **Dewhurst Dent**, glove manufacturer, in the 12 months to July 19 1983.

The taxable deficit increased four-fold from £32,925 to £135,746 on lower turnover of £12.71m against £13.79m. There is still no dividend payment, the last being 0.3p in respect of the 1978/79 year.

The loss was further increased by a tax charge of £68,351 against a credit of £3,276 and an extraordinary debit of £149,583 (£200,881). The loss per 20p share is stated at 2.21p against 0.56p.

In November, Deemview Securities made a cash offer for the company at 14p per share, and the directors say that since November 22 acceptances have been received in respect of a further 1.84 per cent. Anglo-African Finance and Textile Investment Co., holders of 46.94 per cent and 29.06 per cent respectively, have agreed to accept the offer.

* * *

The new financial year at **McKechnie Brothers** had started on a brighter note, the chairman told the annual meeting. He said profits for the first quarter showed some improvement on last year. He was thus confirming his earlier remarks concerning the company's prospects.

The board hoped the trend would continue.

BIDS AND DEALS IN BRIEF

Stenhouse Holdings says that in regard to the Reed Stenhouse offer, its increased dividend is as sustainable as the Reed Stenhouse dividend and is better covered. It also says that the terms of the offer are "unfair" and the board's unanimous advice and that of its financial advisers is to reject the offer.

* * *

The offer by **Williams Holdings** to acquire the shares in **Garford-Lilley Industries** has become fully unconditional. It remains open.

Valid acceptances have been received in respect of 5.87m new shares and deferred shares, equal to 89 per cent of each class of capital. Mr T. W. Williams has retired from the Garford-Lilley board.

* * *

Electronic Rentals Group has acquired the remaining 10 per cent of the issued share capital it does not already own of **Midlectron** of Belper, Derbyshire.

The consideration will be £225,000 to be satisfied by the issue of 440,888 ordinary shares in ERG.

The final purchase of Midlectron shares accelerates the planned final acquisition stage (announced on July 22 1982) which would originally have been after three years from that date. The maximum payment under the previous buy out plan for this remaining shareholding would have been £1.75m.

The total consideration actually paid for the company was £975,000.

* * *

The sale of **Silvertown Engineering Co.'s** business and assets to **Whitecroft** has been completed. The business will continue to operate from Braintree, Essex, and to employ 76 of former Silvertown staff.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Halma, Hampton Gold Mining Areas, Marston Thompson and Evershed, May and Hassell, Memory Computer, Milbury, A. Monk, Norcros, Sungei Besi Mines Malaysia, Syltone.

Finals: Carroll Industries, J. & H. B. Packson, Johnson and Firth Brown, Nash Industries, Whessoe.

FUTURE DATES

Interims:

Belgrave (Blackheath)	Dec 20
E.R.F.	Dec 21
Haynes Publishing	Jan 20
London Private Health	Dec 28
Reardon Smith Line	Dec 22
Stoddard	Dec 20
Sutcliffe Speakman	Dec 22

Finals:

Child Health Research Inv Tst	Feb 21
Kitchen (Robert) Taylor	Dec 21
St Andrew Trust	Jan 19
Sperati (C.A.)	Dec 21

FINANCIAL TIMES STOCK INDICES

	Dec. 16	Dec. 15	Dec. 14	Dec. 13	Dec. 12	Dec. 9	1983 High	1983 Low	Since Compilatn High	Since Compilatn Low
Government Secs.	81.34	82.26	82.30	82.43	82.51	82.77	83.70	77.00	127.4	49.18
Fixed Interest	85.66	85.81	85.83	85.92	85.90	86.26	86.41	79.03	150.4	50.53
Industrial Ord	759.3	752.8	751.1	750.6	753.7	757.1	760.2	598.4	760.2	49.4
Gold Mines	563.0	570.5	577.5	584.3	573.1	567.8	734.7	444.6	734.7	43.5
FT-Act. All-Share	462.46	463.66	463.21	463.50	463.85	465.33	468.03	382.22	468.03	61.92

LADBROKE INDEX
750-755 (+2)
Based on FT Index
Tel: 01-493 5261

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1983 High	1983 Low	Stock	Closing price p	+ or −	Net Div.	Times Covered	Gross Yield	P.E. Ratio
115	F.P.	13/12	176	130	✠Aspinall Hldgs 10p	130		bg3.0	3.7	3.5	11.6
33	F.P.	21/12	34	29	✠Brewmaker 1p	29	−1	—	—	—	15.7
¶435	200	10/2	220	168	Brit. Petroleum	164	−4	30.25	1.9	7.3	11.1
¶275	100	—	105	96	Cable & Wireless 50p	102	−1	h5.47	3.6	7.7	4.4
¶75	F.P.	—	76	74	Dataserv Inc. 5c	76	...	bQ1.5	5.1	1.3	14.9
§54	F.P.	14/12	54	49	✠Federated Housg 5p	50	...	b2.45	2.4	7.0	8.3
§IR77	F.P.	25/11	66	62	✠Flogas 10p	65		[illegible]	3.6	5.7	10.2
§137	F.P.	—	140	138	✠High point Serv. 10p	138	−2	u3.0	3.4	3.1	11.0
§85	F.P.	—	87	85	✠Johnsen & Jorg'nsen 10p	87	...	b3.15	2.1	5.2	12.0
§139	F.P.	—	177	168	✠Kenyon Securities	177	...	b8.38	1.7	7.6	10.9
¶150	F.P.	—	155	142	Ldn. & Edin'gh Tst. 10p	142	−2	b5.25	2.5	5.3	8.9
§40	F.P.	—	41	40	✠MME Facilities 10p	40		b0.7	3.3	2.5	15.5
96	F.P.	16/1	101	95	✠Mebon 10p	96		b3.4	2.0	5.1	13.5
§195	F.P.	—	240	217	✠Moray F. Malt'gs 50p	240	+25	b7.0	2.7	4.2	9.9
§90	F.P.	16/12	109	97	✠Page (Michael) 5p	108		b1.4	3.3	1.9	23.4
§140	F.P.	—	163	146	✠Pericom 10p	160	...	u1.7	4.9	1.5	16.4
§26½	F.P.	6/1	31	27	✠Protimeter 5p	31		u0.7	2.7	3.2	16.2
§90	F.P.	13/1	93	91	✠Tay Homes	91	...	u4.1	2.1	6.4	9.5
§135	F.P.	—	140	135	✠TyneTeesTV A N/V E1	138		8.25	2.4	8.5	7.1
¶130	F.P.	—	135	132	V G Instruments 10p	132	−2	b1.4	5.6	1.5	15.9
¶110	F.P.	16/12	150	108	✠V. W. Thermax	148	+3	u5.28	1.8	6.1	13.9
§IR64	F.P.	9/12	183	168	✠Woodchstr Inv. IR20p	170	..	Q19.3	4.1	1.8	14.6
—	F.P.	—	29	24	Witan Invs. Wrrnts	28	+1	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1983 High	1983 Low	Stock	Closing price £	+ or −
100	F.P.	2/1	102	101½	Bristol Waterworks 6.5% Red. Prf. 1988	102	..
99	£10	—	10½	9½	Colne Valley Water 6% Red. Prf. '90	10	
¶¶	F.P.	9/2	128	115	Crystalate 8½% Cnv. Ln. 2003	128	..
99.15	£25	—	25⅝	24⅝	Elf (U.K.) 12¾% Uns. Ln. '91	25	..
—	F.P.	—	105	101	External Inv. 8% Cnv. Ln. 2003-08	105	
••	F.P.	6/1	111p	96p	Fisher (A.) 7% Cnv. Prf.	111p	+2
100	F.P.	27/1	91	90	Gen. Finance N.V. 11.31% Ln. 2007	90½	
99.714	£30	26/4	32⅝	30	Int. Bk. for Rec. & Dev. 11.5% Ln. 2003	31	+¼
97.261	£25	23/1	29⅞	25	Ireland 12½% 2008	29	+¼
¶100p	F.P.	9/12	114p	100p	LASMO 9¾% Cum Red Pref	103p	..
"	£30	10/11	46	30½	Lon. Shop Prop. 9pc Cnv. 94-99 Ser II.	43	−1
§100	£10	—	12	10¼	Mid Kent Wtr. 12pc. Red Deb. 1993	12	...
—	F.P.	—	100⅝	99⅞	Nationwide 10½% Bds. 8.10.84	99⅞	
—	F.P.	—	100⅛	99⅞	Do. 10¼% Bds. 5.11.84	99⅞	
—	F.P.	—	100⅛	99½	Do. 10⅛% Bds. 3.12.84	99½	
99.44	£25	—	25¼	25¼	Queens Moat 12% 1st Mort. Deb. 2013	25¼	
99.893	£30	—	29⅞	29½	Spain 12% Ln. 1988	29½	...
100	£10	3/2	12	12	Sund.ld + S.Shields Wtr 12pc RPF. 1989	12	
§100	£10	—	12	10½	Tend. Hundred Wtr. 12pc Red Deb 1993	12	
¶99½	£10	—	12	11½	West Kent Wtr. 6.25pc Red Pref. 1988	12	

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date ●	Latest Renunc. date ■	1983 High	1983 Low	Stock	Closing price p	+ or −
345	Nil	—	—	86pm	45pm	✠Air Call	85pm	+10
25	F.P.	—	16/12	45	31	Bargot.	38	−2
62	F.P.	—	13/1	71	66	Charterhal. 5p	67	..
100	F.P.	—	15/12	123	116	Heywood Williams	123	..
25	F.P.	—	30/12	36	28	Manson Fin. 10p.	34	
300	Nil	—	—	50pm	47pm	✠McCarthy & Stone 20p	47pm	
25	F.P.	—	16/12	30	28	Phicom 10p	30	..
95	Nil	—	16/1	103	90	✠Pineapple Dance 10p	100	
C$14⅛	Nil	—	—	14pm	10pm	Toronto Dom. Bk.	10pm	−4
85	F.P.	—	4/1	107	90	Ward White	103	
—		—	21/11	174	133	Western Mining Options	174	+2

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *d* Dividend rate paid or payable on part of capital; cover based on dividend on full capital. *g* Assumed dividend and yield. *u* Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1983. H Dividend and yield based on prospectus or other official estimates for 1983-84. Q Gross. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. ● Figures or report awaited. § Placing price. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or take-over. (for fully-paid). ● Provisional or partly-paid allotment letters. ✶ With warrants. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters ‡ Effective issue price after scrip. † Formerly dealt in under special rule. †† Dealt in under Rule 163 (3). ✠ Unlisted Securities Market. * Comprising of 10 New ordinary plus 1 Series B Warrant. C Canadian.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
Allied Colloids	Jan 12	Interim 0.65
Assoc Dairies	Jan 26	Interim 1.25
*Assoc Newspaper	Jan 12	Final 6.9
Berisford (S. and W.)	Jan 17	Final 6.0
Bio-Isolates	Jan 21	Final nil
Brown (John)	Jan 28	Interim nil
Deejan	Jan 25	Interim 1.925
*Daily Mail and Gen Trust	Jan 12	Final 20.0
Davy Corp	Jan 20	Interim 1.1
Dixons	Jan 20	Interim 1.45
Dowty	Jan 24	Interim 1.65
*Electronic Rentals	Jan 5	Interim 1.667
Ests Prop Inv	Jan 19	Interim 2.75
Eurotherm Intnl	Jan 20	Final 4.5
Fitch Lovell	Jan 27	Interim 2.17
*Grand Metropolitan	Dec 22	Final 4.875
Guinness (A.)	Jan 25	Final 3.65
Hogg Robinson	Jan 11	Interim 3.0
*Johnson and Firth Brown	Dec 19	Final nil
Kenning Motor	Jan 11	Interim 3.75
*Lloyds and Scottish	Dec 21	Final 2.0
Macarthys Pharmaceuticals	Jan 25	Interim 2.0
Magnet and Southern	Jan 12	Interim 1.7
Mercantile House	Jan 25	Interim 5.0
MFI Furniture	Jan 20	Interim 1.4
*Norcros	Dec 19	Interim 2.08
Prop Security Inv Tst	Jan 20	Interim 0.5
Racal Electronics	Jan 18	Interim 1.391
Rank Org	Jan 25	Final 3.2
Raybeck	Jan 7	Interim duo
SGB	Jan 17	Final 3.8
Samuel (H.)	Jan 10	Interim 1.5
Smith Bros	Jan 27	Interim 1.0
*Stead and Simpson	Jan 12	Interim 1.0
Stock Conversion	Jan 24	Interim 1.75
Tate & Lyle	Jan 19	Final 9.5
Thorn EMI	Jan 14	Interim 4.05
*Trident TV	Jan 17	Final 3.0
Trusthouse Forte	Jan 19	Final 5.5
*Union Discount	Jan 25	Final 17.0
*Whessoe	Dec 19	Final 3.0

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

SHARE STAKES

Fitzwilton—Dr Tony O'Reilley acquired 500,000 shares bringing his holding to 2.2m (10 per cent). Mr V. Ferguson acquired 156,000 bringing his holding to 1.47m (some 7 per cent). Other directors to acquire shares are Mr Jim McCarthy, whose holding increases by 150,000 to 750,100 and Mr Neill Collins whose holding goes up by 289,000 to 650,000. Shares were acquired on December 2 at a price of 84p per share. Combined interest of the board now amounts to over 5.5m shares (25.3 per cent).

Aspinall—Mr J. V. Aspinall, a director, sold a beneficial interest of 75,000 ordinary shares of 10p leaving him with 20.85m (40.1 per cent). Ultrabridge, a company wholly owned by Sir James Goldsmith, sold a beneficial interest of 75,000 ordinary shares, making his interest 20.83m shares (40.1 per cent). In addition there was purchase by the Earl of Derby of 100,000 shares (0.2 per cent).

Ferranti—Mr B. R. V. Z. de Ferranti, a director, has disposed of 24,660 ordinary shares. Total holding as altered 239,612 shares (0.28 per cent).

F. H. Tomkins — Mr G. F. Hutchings, a director, Simon and Coates and County Bank are interested in 6.62m ordinary.

Woolworth — Mr A. Foster, a director, purchased 5,000 ordinary.

Queens Moat Houses — Mr A. Marcus, a director, acquired 10,000 ordinary.

Closing prices December 16

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17¼	8⅝	AAR	.44	2.9	19	90	15⅛	14½	15⅛	+ ⅛
52¼	29½	ACF	1.40	2.8	239	28	50¼	50	50⅛	
19⅝	18⅝	AMCA	n			8	u19⅝	19⅛	19⅝	+ ⅜
18⅞	14¼	AMF	.50	3.1		1073	16	15⅝	15⅞	+ ⅜
39⅞	18½	AMR Cp			16	4795	36⅛	35⅜	35⅞	+ ½
19½	15	AMR	pf2.18	12.		21	18¼	18½	18¾	+ ⅛
40¾	24⅞	AMR	pf2.13	5.8		469	37⅞	37¼	37⅞	+ 1
16¾	3⅝	APL			23	16	15½	15¼	15½	+ ⅛
55¾	33¾	ARA	2.05	4.0	11	163	51⅛	49½	50¾	− ½
78⅞	50¾	ASA	3a	5.6		405	54	53¾	53¾	− ⅝
33¾	14	AVX	s .32	1.2	40	109	27½	26¼	26¼	− 1¼
53⅞	38⅜	AbtLab	1	2.2	17	2045	44⅝	43⅞	44⅝	+ 1¼
30⅞	23¾	AccoW	n .60	2.1	21	66	28¼	27⅞	28⅛	+ ⅛
27½	16¼	AcmeC	.40	1.6		5	25¼	25	25¼	
14⅞	7⅞	AcmeE	.32b	2.8	563	18	11¼	11¼	11¼	− ⅛
24⅞	9¼	AdmDg	.04	.2	16	14	20⅝	20⅝	20⅝	
18⅝	15	AdaEx	1.73e	9.7		46	18	17⅞	17⅞	− ⅛
19¼	7⅞	AdmMl	.24	1.5	8	9	15¾	15¾	15¾	
18⅝	9¼	Advest	.12	1.0	7	104	12¼	11⅝	11⅞	− ⅛
35½	11⅛	AMD	s		55	3582	32⅛	31⅝	32¼	− ⅛
24⅞	12⅞	Aeflx	s		17	26	17⅛	16⅞	16⅞	− ¼
43½	32⅞	AetnLf	2.64	7.3	9	2152	36¼	35¾	36¼	+ ¼
65	55¾	AetL	pf5.09e	9.0		r12	56½	56½	56½	− ⅛
40½	22½	Ahmns	1.20	4.2	8	489	29	28¼	28⅞	+ ⅞
7⅞	2¼	Aileen				98	4⅝	4⅝	4¾	+ ⅛
51	31	AirPrd	1	2.2	13	336	46⅛	45	45⅞	+ 1⅛
30⅞	13⅞	AirbFrt	.60	2.1	23	656	29⅞	28¼	29¼	+ ¼
2⅞	1½	AlMos	s		23	348	2½	2½	2½	
33½	29⅜	AlaP	pfA3.92	13.		3	30¼	30¼	30¼	+ ⅛
7⅞	6½	AlaP	dpf.87	13		35	6⅞	6¾	6¾	
99	89¼	AlaP	pf 11	12.		z320	92¼	92¼	92¼	
71	58¼	AlaP	pf8.16	13.		z4700	61½	61½	61½	+ 1½

Continued on Page 17

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices December 16

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 18

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 16

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51¼	35	Xerox	3	6.8	12	4086	u51¼	50⅝	51¼	+¼
53⅝	49	Xerox	pf5.45	11		22	49	d48⅝	48⅞	-⅛
37	16¾	XTRA		1.8	24	336	36	35¼	35¾	+⅝
34	20⅞	ZaleCp	1.26	4.3	17	x?	29⅜	29½	29⅜	
21⅞	14⅜	Zapata	.84	5.1	7	429	16½	16¼	16⅜	
52¼	28⅜	Zayre	s .30	.7	13	1713	42	40½	41	-1⅛
36	13⅜	ZenithR			39	1865	33	32½	33	+½
25½	14¼	Zero	s .32	1.3	23	23	24⅝	24½	24⅝	+¼
37⅞	24¼	Zurnin	1.32	4.6	10	85	29½	28½	29	+½

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-when distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

WORLD STOCK MARKETS

Indices

NEW YORK — DOW JONES

	Dec. 16	Dec. 15	Dec. 14	Dec. 13	Dec. 12	Dec. 9	1983 High	1983 Low	Since C'mp'l't High	Since C'mp'l't Low
♦ Industr'ls	1242.17	1236.79	1246.65	1255.85	1261.59	1260.0	1287.20 (29/11)	1027.04 (3/1)	1287.20 (29/11/83)	41.22 (2/7/32)
H'me Bnds	69.38	69.41	69.50	69.72	70.05	69.98	77.84 (6/5)	60.85 (7/8)	—	—
Transport.	590.16	585.76	594.26	604.45	604.45	604.91	612.57 (22/11)	434.24 (3/1)	612.57 (22/11/83)	12.32 (8/7/32)
Utilities	131.02	131.55	132.42	134.15	134.44	133.91	140.70 (31/10)	119.51 (3/1)	163.32 (20/4/69)	10.5 (28/4/42)
TradingVol 000's	81,080	88,300	85,450	83,500	77,340	93,280	—	—	—	—

♦ Day's high 1248.27 (1250.20) low 1231.40 (1231.20)

	Dec. 9	Dec. 2	Nov. 25	Year ago (Approx)
Indust'l div. yield %	4.47	4.45	4.40	5.31

STANDARD AND POORS

	Dec. 16	Dec. 15	Dec. 14	Dec. 13	Dec. 12	Dec. 9	1983 High	1983 Low	Since Cmpil't'n High	Since Cmpil't'n Low
Indust'ls.	182.80	181.84	185.69	185.67	186.69	185.90	194.84 (10/10)	154.95 (3/1)	194.84 (10/10/83)	3.62 (30/6/32)
Comp's'te	162.39	161.67	165.83	164.93	165.62	165.08	172.65 (10/10)	138.34 (3/1)	172.65 (10/10/83)	4.40 (1/6/32)

	Dec. 14	Dec. 7	Nov. 30	Year ago (Approx)
Indst'l div. yield %	3.78	3.73	3.78	4.73
Indust'l P/E ratio	13.33	13.55	14.43	10.42
Long Gov. Bond yield	11.90	11.68	11.49	10.53

N.Y.S.E. ALL COMMON

Dec. 16	Dec. 15	Dec. 14	Dec. 13	1983 High	1983 Low
93.86	93.53	94.41	95.28	99.63 (10/10)	80.92 (24/1)

Rises and Falls

	Dec. 16	Dec. 15	Dec. 14
Issues Traded	1,999	2,002	2,008
Rises	780	475	456
Falls	751	1,113	1,142
Unchanged	468	414	410
New Highs	20	19	22
New Lows	46	52	39

MONTREAL

	Dec. 16	Dec. 15	Dec. 14	Dec. 13	1983 High	1983 Low
Industrial	440.58	440.88	442.96	445.46	468.90 (26/8)	351.18 (4/1)
Combined	423.34	424.18	426.49	428.70	441.29 (26/9)	328.12 (4/1)
TORONTO Composite	2506.7	2515.2	2540.3	2538.6	2598.2 (26/9)	1949.8 (4/1)

NEW YORK ACTIVE STOCKS

Friday

	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
ATT	2,859,200	63⅞	+ ⅛	Gulf St. Util.	647,300	13⅝	+ ⅛
ATT Ex Dis	2,715,000	18¾	+ ½	Stauffer	621,800	29¾	− ⅞
AM Express	1,515,400	30⅝	+ ½	IBM	609,500	120¾	+ 1¼
Citicorp	730,500	37⅞	+ ⅞	General Elec	608,500	55⅝	+ ½
Superior Oil	663,800	35⅝	+ ½	Pub. Serv. Indna	596,300	16⅞	− ½

	Dec. 16	Dec. 15	Dec. 14	Dec. 13	1983 High	1983 Low
AUSTRALIA						
All Ord. (1/1/80)	756.0	755.4	754.5	751.2	756.4 (16/12)	487.8 (4/1)
Metals & Mins. (1/1/80)	549.2	551.6	550.9	547.6	614.2 (5/9)	411.8 (4/1)
AUSTRIA						
Credit Aktien (2/1/62)	54.82	54.66	54.57	54.25	59.8 (6/5)	48.49 (15/2)
BELGIUM						
Belgian SE (31/12/63)	133.87	133.52	133.58	132.81	134.45 (1/8)	100.50 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	198.26	199.02	200.70	198.46	204.22 (13/9)	100.00 (3/1)
FRANCE						
CAC General (31/12/82)	148.6	149.5	151.2	151.9	151.9 (15/12)	95.1 (3/1)
Ind Tendance (31/12/82)	159.1	159.8	161.7	163.1	163.1 (13/12)	98.0 (3/1)
GERMANY						
FAZ-Aktien (31/12/58)	340.91	342.11	344.06	345.24	348.3 (2/12)	241.89 (25/1)
Commerzbank (Dec 1953)	1007.9	1009.9	1016.5	1014.3	1031.3 (2/12)	727.3 (25/1)
HONG KONG						
Hang Seng Bank (31/7/64)	860.77	869.88	856.74	858.59	1102.64 (21/7)	690.06 (4/10)
ITALY						
Banca Comm Ital. (1972)	187.88	185.75	183.62	187.78	214.93 (21/6)	160.45 (10/1)
JAPAN(**)						
Nikkei-Dow (16/5/49)	9530.61	9462.43	9401.17	9385.56	9563.25 (12/10)	7803.78 (25/1)
Tokyo SE New (4/1/68)	705.32	701.70	696.19	695.30	705.32 (16/12)	574.51 (25/1)
NETHERLANDS						
ANP-CBS General (1970)	147.1	146.6	147.2	148.6	148.6 (13/12)	100.1 (4/1)
ANP-CBS Indust (1970)	121.5	120.7	120.9	122.0	122.0 (13/12)	85.5 (4/1)
NORWAY						
Oslo SE (4/1/83)	212.19	214.29	213.21	213.94	217.60 (10/10)	99.01 (4/1)
SINGAPORE						
Straits Times (1966)	985.49	966.04	981.91	985.44	992.62 (25/8)	717.29 (5/1)
SOUTH AFRICA						
Gold (1958)	(c)	849.9	841.1	842.8	1099.5 (1/2)	661.4 (11/1)
Industrial (1958)	(c)	927.0	935.6	935.1	968.7 (28/6)	704.9 (5/1)
SPAIN						
Madrid SE (31/12/82)	119.48	119.97	120.44	121.10	129.14 (10/11)	98.32 (11/1)
SWEDEN						
Jacobson & P. (1/1/58)	1475.44	1470.51	1460.87	1496.09	1526.83 (2/12)	856.18 (3/1)
SWITZERLAND						
SwissBankCpn. (31/12/58)	371.6	372.0	372.5	371.5	372.8 (5/12)	294.4 (4/1)
WORLD						
Capital Intl. (1/1/70)	—	178.6	179.4	180.2	185.6 (10/10)	154.3 (5/1)

(**) Saturday Dec 10: Japan Nikkei-Dow (c). TSE (c).

Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 industrial. § 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

AUSTRIA

1983 High	1983 Low	Dec. 16	Price %
222	206	Credit stalt Pfd.	212
370	161	Goesser	319
410	358	Intersunfall	410
217	201	Laenderbank	212
400	255	Perlmooser	311
179	145	Steyr Daimler	156
262	171	Veitscher Mag	208

BELGIUM/LUXEMBOURG

1983 High	1983 Low	Dec. 16	Price Frs.
1,435	990	ARBED	1,170
4,750	3,700	Bank Int A Lux	4,750
3,300	2,030	Bekaert B	3,150
2,090	1,595	Ciment BR	2,070
182	86	Cockerill	164
4,800	3,660	Delhaize	4,800
2,525	1,875	EBES	2,470
6,450	4,460	Electrobel	6,310
2,900	1,910	Fabrique Nat	2,095
3,200	2,710	GB Inno BM	3,180
2,425	1,450	GBL Brux.	2,265
3,140	1,740	Gevaert	3,000
5,180	3,600	Hoboken	5,180
2,000	1,720	Intercom	1,920xr
6,510	4,300	Kredietbank	6,090
9,250	4,300	Pan Hldgs.	9,050
6,040	4,610	Petrofina	5,950
7,850	5,910	Royale Belge	7,100
3,000	2,305	Soc. Gen. Banq	2,990
2,025	1,200	Soc. Gen. Belge	1,675
5,270	3,755	Sofina	5,200
3,500	2,180	Solvay	3,490
3,500	2,645	Traction el.	3,375
4,280	2,620	UCB	4,110
4,400	2,210	Vieille Mont.	3,400

DENMARK

1983 High	1983 Low	Dec. 16	Price %
556.4	339.6	Aarhus Olie	430
320	160	Andelsbanken	287
598	321	Baltica Skand	560
300	178.6	CopHandelsbank	287
691	296.6	D. Sukkerfab	659
322.6	197	Danske Bank	309
188	88.6	East Asiatic	154
1,350	650	Forenede Brygg.	1,320
298	148	Forenede Damp.	175
557	176	GNT Hldg.	540
765	270	I.S.S.B.	710
650	297	Jydske Bank	590
3,425	1,935	Novo Ind.	3,185
324	185.4	Privatbanken	294
335	157.6	Provinsbanken	307
324.6	170	Smidth FL.	270
1,078	583	Sophus Berend.	955
518	97.2	Superfos	512

CANADA

1983 High	1983 Low	Stock	Dec. 16
30¼	18⅞	AMCA Intl.	24¼
25⅝	18½	Abitibi	25
20⅞	14⅝	Agnico Eagle	17½
21	17⅛	Alberta Energy	18
50	33½	Alcan Aluminium	47¼
37½	24½	Algoma Steel	29
13⅝	9½	Asbestos	10⅛
33⅝	25	Bk. Montreal	27½
45⅞	32	Bk. Nova Scotia	43¼
33⅝	22½	Bell Canada	31
19½	13½	Bombardier	19½
29⅝	16½	Bow Valley	25⅞
27	20	BP Canada Res.	22½
39⅞	19⅝	Brascan A.	38½
4.20	2.70	Brinco	2.82
14½	8¼	B.C. Forest	13⅝
31	23⅛	CIL Inc.	30¼
10	8	CadillacFairview.	9¾
41½	26	Campbell RedLk	30⅜
18⅛	12¼	Can Ciment Pf	14⅛
31	22½	Can NW Energy	28½
27⅞	16½	Can Packers	27⅞
48	30½	Can Trustco.	44⅛
42	29⅝	Can Imp Bank	31⅝
53	35⅞	Can Pacific	51⅜
25¼	18	Can. Pac. Ents	25½
66	50½	Can Tire A	12⅝
24½	11⅝	Carling O'Kfe	21⅞
19⅞	14	Chieftain	15
64⅝	44¼	Cominco	58¾
26½	16	Cons Bathst A	26¼
5.5	1.4	Copper Lake	2.10
5.00	2.96	Coseka Res	3.60
10⅝	6½	Costain	9⅞
50⅞	27⅝	Denison Mines	46½
62¾	27	Dofasco	62⅛
26⅝	13⅞	Dome Mines	16⅝
6⅞	3.35	Dome Petroleum	4.20
22⅝	16	Dominion Strs.	19½
32½	20	Domtar	30⅝
87	47¾	Falconbridge	74¼
36¾	20¼	Genstar	30½
28¾	18½	Giant Y'knife	23½
2.75	1.85	Gt West Life	2.75
20¾	13⅛	Gulf Canada	16¾
21	14⅜	Hawk Sid. Can	18½
25⅜	18¼	Hudson's Bay	24⅝
13¼	8½	Husky Oil	10¾
38½	28¾	Imasco	35¼
41¼	27	Imp Oil A	37
22¾	13⅝	Inco	17⅞
13⅝	7½	Indal	13¼
35¾	21¼	Inter Pipe	33
38	19	LAC Minerals	30
32¼	24	Macmil. Bloedel.	29½
16	8	Marks & Spencer	16
7⅝	3.70	Massey Ferg.	5⅞
46¼	26½	McIntyre Mines	38½
37¼	14½	Mitel Corp.	17⅝
23⅝	17¼	Molson A.	22⅝
53	50⅜	Moore Corp.	53
11⅜	7½	Nat. Sea Prods A	7⅜
28¾	19½	Noranda Mines	26⅝
20⅝	12	Norcen Energy	16⅝
60½	27⅞	Nthn. Telecom	50½
9⅛	6½	Nova Alberta	7¼
14½	6⅞	Numac Oil	13¼
12⅞	6½	Oakwood Pet	8
30¼	6¼	Pan Can. Pet.	25
20½	10	Patino	10
28½	20⅛	Placer Dev.	22¾
20¼	13⅝	Power Corp.	19⅝
10¾	5⅞	QuebecSturgeon	7⅝
15¾	7¼	Ranger Oil	13⅝
17	12	Reed Stenhs A.	12¼
20½	12½	Rio Algom	19
35⅞	26¼	Royal Bank	33⅞
29⅛	19	Royal Trusco A.	28½
7½	4.90	Sceptre Res.	5.00
49½	35⅝	Seagram	45½
29¼	20	Shell Can Oil	23⅞
12	7	Simpson Sears A.	11⅝
31½	21	Stelco	29⅝
15⅛	9¾	Teck B	10⅛
42½	28	Texaco Canada	40⅛
38½	27⅝	Thomson News A.	38
18	13¼	Toronto Dom Bk	16
24	19	Transalta	21½
31⅝	24⅝	Trans Can Pipe	31½
29⅛	19¼	Walker Hiram	27⅝
15⅞	13⅝	Westcoast Trans	15
65¾	42¼	Weston (Geo)	64½

FRANCE

1983 High	1983 Low	Dec. 16	Price Frs.
2,273	1,840	Emprunt 4½% 1973	1,850
11,005	8,186	Emprunt 7% 1973	9,599
3,625	2,099	CNE 3%	3,095
523	393	Air Liquide	500
859	398	BIC	388xo
771	620	Bouygues	673
2,720	1,336	BSN Gervais	2,519
1,540	795	CIT Alcatel	1,350
1,520	1,072	Carrefour	1,280
820	480.1	Club Mediter	745
574	435	GFAO	542
408	211	Cie Bancaire	405
192.5	128.7	Cofimeg	181
67.5	33.5	Creusot Loire	42.9
789	605	Darty	744
946	650	Dumez	842
588	244	Eaux (Cie Gen.)	537
203	112	Elf-Aquitaine	167
740	389	Gen. Occidental	668
73	47.5	Imetal	57.5
301	245	Lafarge-Copper	275
2,225	994	L'Oreal	2,090
2,120	1,556	Legrand	1,985
470	320	Maisons Phenix	320.6
1,440	900	Matra	1,240
982	705	Michelin B	730
1,402	635	Midi (Cie)	1,361
1,420	801	Moet-Hennessy	1,366
111.0	65.9	Moulinex	102.9
58	46.1	Nord Est	48.4
980	357	Pernod Ricard	726
439	216	Perrier	437
195	130.1	Petroles (Fra.)	159
225.8	129.1	Peugeot-SA	203
102.9	58.6	Poclain	62.5
149.9	102.1	Printemps (Au)	136.8
444	342.5	Radiotech	427
1,170	842	Redoute	996
672	234	Roussel-Uclaf	595
132.5	79	Schneider	66.1
280	170	Sefimeg	257.8
1,440	660	Skis Rossignol	1,312
1,410	613	Telemech Elect.	1,358
215	142.1	Thomson (CSF)	184
350	210	Valeo	300

GERMANY

1983 High	1983 Low	Dec. 16	Price Dm
86.7	29	AEG-Telef.	76.0
872.5	486	Allianz Vers.	794.0
172	117.3	BASF.	166.1
172.8	118	Bayer	166.5
335	240.1	Bayern-Hypo	275.0
379.5	263	Bayern-Verein.	309.0
321	216.5	BHF-Bank	269.5
437	222.1	BMW	429.0
232	167	Brown Boveri	224.5
189.8	126.5	Commerzbank	161.5
125.9	62.2	Conti Gummi	117
713.5	376.2	Daimler-Benz	657xr
400	259.5	Degussa	376.0
164	122	Demag	146
193.5	137	D'sche Babcock.	180.3
351.5	259.3	Deutsche Bank	315.5
197	133.5	Dresdner Bank	163.8
179	128.2	GHH	142
540	410.8	Hochtief	438
182	109.3	Hoechst	174.7
103.7	84	Hoesch Werke	92.5
564	410	Holzmann (P)	424
193.2	111	Horten	182.0
221.5	157	Kali und Salz	199.5
302	188	Karstadt	275.0
280	193	Kaufhof	262
259.7	197.8	KHD	253
67	33.3	Kloeckner	38.5
90	55	Krupp	61
402	303.5	Linde	386
144	81.1	Lufthansa	141.0
177	122.5	MAN.	134.0
177	133	Mannesmann	151.0
643	336	Mercedes Hlg	592.5
250	190	Metallgesell	209
1,200	360	Muench Rueck	1020
284.7	185	Preussag	270.0
199	163	Rhein West Elect	173.6
348	283.5	Rosenthal	283.5
384	294	Schering	354.5
392.3	245.8	Siemens	374.0
87.8	66	Thyssen	75.6
194.3	163	Varta	178
182.5	137	Veba	167.3
142.4	116.3	V.E.W.	117.9
326	282	Verein-West	308
237	140.8	Volkswagen	202.6

ITALY

1983 High	1983 Low	Dec. 16	Price Lire
31,900	25,600	Banca Com'le.	26,300
253	124.6	Bastogi IRBS	132
2,590	1,040	Centrale	1,160
6,167	3,699	Credito Varesino	3,840
3,279	1,635	Fiat	3,297
77	35.2	Finsider	48
147,450	104,125	Generale (Assic	132,598
3,052	1,920	Invest	2,870
48,200	27,600	Italcementi	38,500
234.6	99	Montedison	213.4
5,550	1,901	Olivetti	3,758
3,099	2,315	Pirelli Co.	2,699
1,850	1,173	Pirelli Spa.	1,425
1,280	671	Snia BPD.	1,245
13,999	9,970	Toro Assic	11,410
10,500	6,950	do. Pref	7,850

NETHERLANDS

1983 High	1983 Low	Dec. 16	Price Fls
186.5	98	ACF Holding	186
115	62.6	Aegon	114
184	123	Alhold	183.5
89.2	54.9	AKZO	90.2
409	293.0	ABN	371.5
157	100.0	AMEV	150
66.8	41.9	AMRO	58.3
200.0	143.8	Bredero Cert	179
53.3	29.0	Boskalis Westm.	39.4
57	30.5	Buhrmann-Tet	57
38.5	27.1	Caland Hldgs	33.1
67	33.0	Credit Lyon'is Bk	40.5
475	190.0	Elsevier-NDU nv.	471
165.8	115.2	Gist-Brocades	162.5
137.8	61.0	Heineken	124.4
41.7	14.2	Hoogovens	39.9
29.1	11.0	Hunter Douglas	21.3
69	17.7	Int Muller	32.8
191.9	137	KLM	191
84.5	34	Naarde'n	39.6
191.5	122.9	Nat Ned Cert	190
68.3	24.5	Ned Cred Bank	32.3
167.5	93	Ned Mid Bank	138.5
128.5	86.1	Nedlloyd	108.1
238	168.5	Oce Grinten	229.5
34.4	18.4	Ommeren (Van)	29.2
65.8	40.3	Pakhoed	53
55.1	27.7	Philips	42.4
15.2	3.2	Rijn-Schelde	5.9
330.4	244.0	Robeco	326
134.2	123.2	Rodamco	129.6
316	226.5	Rolinco	313.5
199.8	181.0	Rorento	199
147.7	92.2	Royal Dutch	135
250.8	189.0	Unilever	248.5
88.7	60	VMF Stork	87.5
129	60.2	VNU	121.8
127.5	83.5	West Utr Bank	113

NORWAY

1983 High	1983 Low	Dec. 16	Price Kroner
143	101.5	Bergens Bank	140
192.5	83	Borregaard	187.5
141	112.5	Christiania Bk.	140
150	117	Den Norsk Credit	148
124	37.5	Elkem	119
305	105	Norsk Data	263
502	272.5	Norsk Hydro	490
185	127.6	Storebrand	175

AUSTRALIA

1983 High	1983 Low	Dec. 16	Price Aust. $
6.10	3.32	ANZ Group	5.86
1.72	0.75	Acrow Aust	1.5
1.18	0.51	Alliance Oil D.	0.84
2.10	1.25	Ampol Pet	1.72
1.94	1.06	Aust Cons Ind	1.87
2.90	2.00	Aust Guarant	8.9
2.90	2.07	Aust Nat Inds	2.66
2.50	1.72	Aust Paper	2.35
1.45	0.17	Bond Hldgs	1.25
3.48	2.03	Boral	3.35
3.08	1.92	B'ville Copper	2.55
3.35	2.20	Brambles Inds	3.32
3.60	2.20	Bridge Oil	2.9
14.01	6.10	BHP	13.8
6.30	3.49	CRA	5.84
4.42	2.52	CSR	3.85
3.09	1.99	Carlton & Utd	3.9
5.04	3.85	CastlemaineTys.	5.2
3.98	2.28	Coles (G.J.)	3.95
3.45	1.60	Comalco	3
0.58	0.12	Consolidated Pet	0.52
1.55	0.88	Costain	1.5
1.7	0.95	Dunlop	1.7
6.44	4.70	E.Z. Inds	6.2
4.60	2.50	Elders IXL	4.61
2.0	1.32	Energy Res.	1.68
2.16	1.55	Gen Prop Trust	2.15
4.10	3.00	Hardie (J.J.)	3.65
3.50	1.35	Hartogen Energy	2.6
3.30	1.97	HeraldW'y Times	3.05
2.30	1.48	ICI Aust.	2.22
0.36	0.17	Jimb'lana (50c FP)	0.27
0.29	0.16	Kia Ora Gold	0.16
5.26	2.84	Lend Lease	4.9
4.78	3.5	MIM	3.76
3.00	2.50	Mayne Nikless	2.62
2.70	1.2	Meekatharra Ms.	1.2
2.0	1.10	Myer Emp.	1.98
3.80	2.32	Nat. Com. Bk.	3.73
9.9	2.05	News	9.9
3.3	1.68	Nicholas Kiwi	3.2
3.75	2.15	North Bkn Hill	3.2
1.52	1.00	Oakbridge	1.15
1.00	0.55	Otter Expl.	0.85
2.30	1.10	Pancon	1.27
1.92	1.40	PioneerConc	1.89
2.70	0.55	Reckitt & Coln.	2.65
1.95	0.90	Repco	1.27
8.76	4.02	Santos	7.6
4.85	2.85	Smith (H.)	4.38
0.40	0.18	Southland Min'g.	0.24
0.76	0.20	Spargos Expl.	0.48
2.30	1.40	Thos Natwide	2.15
5.1	2.40	Tooth	5.0
5.45	1.63	UMAL Cons.	5.45
9.90	3.30	Vamgas	3.55
5.16	3.30	Western Mining	4.25
4.00	2.45	Westpac	3.87
1.65	0.65	Woodside Petrol.	1.2
2.75	1.50	Woolworths	2.72
3.28	2.65	Wormald Intl.	3.05

SINGAPORE

1983 High	1983 Low	Dec. 16	Price $
3.06	1.66	Boustead Bhd.	2.8
6.85	4.18	Cold Storage	5.3
15.90	7.6	DBS	9.95
6.6	5.90	Fraser & Neave	6.6
6.0	3.10	Genting	4.82
2.91	2.05	Haw Par.	2.25
3.76	2.41	Inchcape Bhd.	2.96
5.10	3.20	Keppel Shipyard	5.62
10.00	6.15	Malay Banking	9.25
7.20	4.50	Malay Brew.	7.05
2.57	1.70	Multi Purpose	1.84
12.5	8.5	OCBC	11.3
5.95	3.66	OUB	4.62
2.81	1.75	Sime Darby	3.4
2.47	1.62	Straits St'mship.	1.85
7.80	5.1	Straits Trdg	6.1
5.85	3.68	UOB	5.7

SWEDEN

1983 High	1983 Low	Dec. 16	Price Kroner
390	280	AGA	355
368	138	Alfa-Laval	272
450	202	ASEA (Free)	400
2,400	570	Astra	600
139	90	Atlas Copco	115
492	256	Boliden	380
715	340	Cardo (Free)	345
187.5	98.75	Cellulosa (Free)	164
260	115	Electrolux B	245
474	323	Ericsson	417
336	161	Esselte (Free)	285
427	150	Mooch Dom	410
480	196	Pharmacia (Free)	296
347	192	Saab-Skania	287
405	180	Sandvik B (Free)	299
720	209	Skandia	475
340	212	Skan Enskilda	294
193	114	SKF B	161
670	350	St. Kopparberg	652
203	111	Sven Handelsbn.	197
305	156	Swedish Match	269
539	270	Volvo B (Free)	456

SWITZERLAND

1983 High	1983 Low	Dec. 16	Price Frs.
884	503	Alusuisse	818
4,375	3,975	Bank Leu	4,250
1,425	960	Brown Boveri	1,385
2,400	1,605	Ciba Geigy	2,360
1,975	1,290	do. (Part Certs)	1,870
2,385	1,915	Credit Suisse	2,265
2,940	2,595	Elektrowatt	2,860
688	501	Fischer (Geo)	620
3,775	3,425	Genevoise	3,750
107,000	72,250	Hoff-RochePtCts	106,750
10,752	6,975	Hoff-Roche 1/10	10,725
6,750	550	Jacobs Suchard	6,490
1,930	1,300	Jelmoli	1,900
1,485	980	Landis & Gyr	1,485
4,900	3,815	Nestle	4,820
1,635	1,160	Oer-Buehrle	1,225
275	243	Pirelli	250
7,650	4,500	Sandoz (Br)	7,390
1190	661	Sandoz (Pt Cts)	1,135
460	305	Schindler (PtCts)	450
980	712	Swissair	980
324	300	Swiss Bank	316
7,900	6,700	Swiss Reinsce	7,900
1,480	1,200	Swiss Volksbk	1,440
3,495	3,140	Union Bank	3,470
3,330	2,670	Winterthur	3,240
19,250	16,300	Zurich Ins.	19,050

HONG KONG

1983 High	1983 Low	Dec. 16	Price H.K.$
35.25	15.5	Bank East Asia	19.3
0.87	0.87	Carrian Invest.	0.87
10.9	5.7	Cheung Kong	8.95
12.0	9.9	China Light	11.7
3.30	1.27	Hang Lung Devel.	1.47
64.5	28.9	Hang Seng Bank	37.25
6.35	4.4	HK Electric	5.35
4.60	2.47	HK Kowloon Wh.	3.6
6.00	2.25	HK Land	2.87
8.77	2.4	HK Shanghai Bk.	6.9
39.75	28.5	HK Telephone	34.25
15.2	8.00	Hutchison Wpa.	14.3
18.1	7.8	Jardine Math	11.3
3.75	2.00	New World Dev.	2.7
3.0	2.22	Orient O'seas	2.67
5.1	2.5	O'seas Trust Bk.	2.7
7.25	4.05	SKH Props.	4.75
17.2	8.15	Swire Pac A	14.3
4.10	2.42	Wheel'k Mard A.	2.92
2.40	1.55	Wheel'k Maritl'e	1.73
1.95	1.12	World Int. Hldgs.	1.6

JAPAN

1983 High	1983 Low	Dec. 17	Price Yen
1,130	805	Ajinomoto	1,060
2,780	1,610	Alps Electric	2,620
979	515	Amada	975
412	262	Asahi Chem	398
697	510	Asahi Glass	697
610	440	Bridgestone	605
1,770	1,070	Canon	1,600
1,680	987	Casio Comp	1,510
1,600	975	Chugai Pharm	975
686	316	Citizen	670
659	580	Daiei	651
928	702	Dai Nippon Ptg	918
600	432	Daiwa House	509
388	317	Ebara	330
1,680	1,080	Eisai	1,190
10,800	4,400	Fanuc	10,100
508	498	Fuji Bank	500
2,460	1,490	Fuji Film	2,060
1,280	870	Fujisawa	870
1,460	825	Fujitsu	1,330
2,040	1,480	Green Cross	1,600
620	395	Hasegawa	395
693	535	Heiwa Real Est.	597
939	750	Hitachi	796
1,610	1,160	Hitachi Credit	1,200
1,130	785	Honda	1,120
989	825	House Food	845
1,550	757	Hoya	1,510
348	275	Itoh (C)	283
1,830	1,000	Ito-Yokado	1,800
2,150	995	Iwatsu	2,150
360	326	JACCS	330
2,430	2,250	JAL	2,340
867	530	Jusco	817
375	305	Kajima	311
[illegible]	[illegible]	[illegible]	[illegible]

SOUTH AFRICA

1983 High	1983 Low	Dec. 16	Price Rand
[illegible]	[illegible]	[illegible]	[illegible]

SPAIN

1983 High	1983 Low	Dec. 16	Price Pta %
[illegible]	[illegible]	[illegible]	[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 17

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E Ratio	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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Distillers

The Distillers Company p.l.c. presents the following unaudited report of the Group results for the half-year ended 30th September 1983.

The Board has declared an interim dividend for the year ending 31st March 1984 at the rate of 4.5p per share (last year 4.5p), absorbing £16.3 million. The dividend is payable on 24th February 1984 to shareholders on the register at 20th January 1984.

	1983 £ million	1982 £ million
Results based on historical cost		
TURNOVER (note 1)	493.0	484.7
TRADING PROFIT	65.5	75.3
Share of loss of related company	(2.0)	(0.3)
Income from investments	4.7	4.5
Interest	1.0	0.7
Rationalisation, redundancy and closure costs	(4.3)	—
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	64.9	80.2
Taxation (note 2)	(22.0)	(27.0)
Minority interests	—	0.4
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	42.9	53.6
EARNINGS PER SHARE	11.81p	14.76p

Notes:

	1983 £ million	1982 £ million
(1) Turnover		
Sales excluding duty – United Kingdom	120.1	125.0
– other markets	233.4	234.1
Duty	139.5	125.6
	493.0	484.7

The 1982 United Kingdom sales figure includes £14.5 million in respect of the Peerless Refining Company which was sold in January 1983.

(2) Taxation
Taxation is based on an estimate of the effective rate of tax which will be payable on the profit for the year.

Current cost accounting information	1983 £ million	1982 £ million
Trading profit per historical cost accounts	65.5	75.3
Depreciation adjustment	(17.0)	(16.7)
Cost of sales adjustment	(15.5)	(18.0)
Monetary working capital adjustment	(1.5)	(0.7)
CURRENT COST OPERATING PROFIT	31.5	39.9
Share of loss of related company	(4.2)	(2.5)
Income from investments	4.7	4.5
Interest	1.0	0.7
Rationalisation, redundancy and closure costs	(4.3)	—
CURRENT COST PROFIT BEFORE TAXATION	28.7	42.6
Taxation	(22.0)	(27.0)
Minority interests	—	0.4
Current cost profit after taxation	6.7	16.0
Gearing adjustment	0.8	1.4
CURRENT COST PROFIT ATTRIBUTABLE TO SHAREHOLDERS	7.5	17.4
CURRENT COST EARNINGS PER SHARE	2.07p	4.79p

Review of Trading

We said in July that we did not expect the volume of sales this year to match that of last year. In the event, Group sales of Scotch whisky in the six months were below the level recorded in the corresponding period last year. The shortfall, which was particularly severe in the first quarter, was mainly due to economic difficulties in a number of our export markets, notably in South America and in the Middle East.

The effect of the lower sales volume outweighed the benefit from the strong exchange value of the dollar currency in which our whiskies bottled in Scotland are invoiced to the USA. The amount of trading profit attributable to Scotch whisky was therefore substantially less than in the same period last year.

As a result of satisfactory performance in the USA, Group sales of gin achieved an increase in volume and trading profit in generally difficult market conditions. Improved trading results were also produced by our food and carbon dioxide interests.

United Glass, the related company in which we have a 50% interest, reported a £4.0 million loss for the first six months of its financial year including the cost of closure decisions taken in that period. Further substantial closures costing approximately £12 million were subsequently announced and will be taken into account in the results which will be reported by United Glass for its full year.

The rationalisation, redundancy and closure costs of £4.3 million separately stated above relate to the reorganisation of the Group's UK bottling facilities and home trade marketing operations.

Future Prospects

The trading profit in the second six months is unlikely to compare favourably with the strong performance in the second half of last year and it remains our view that the results for the 12 months will fall short of last year's profit.

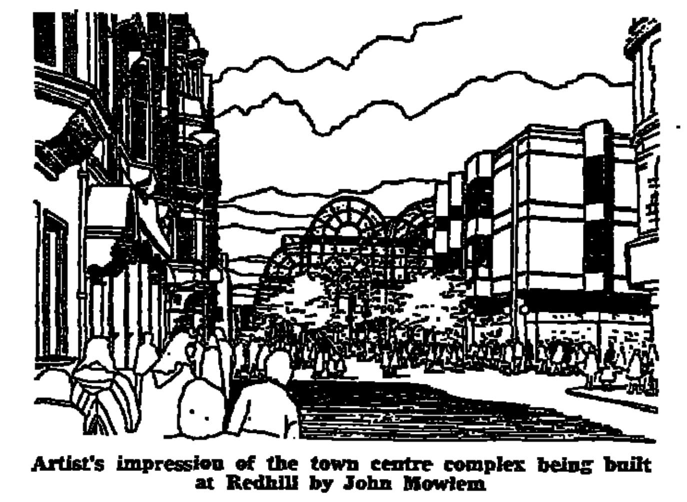
Although reports from a number of world markets do not yet support any great expectation of an early upsurge in sales, they suggest that the recent decline in consumer demand is levelling off.

The Distillers Company p.l.c.

CONSTRUCTION CONTRACTS

Mowlem builds £25m Redhill centre

A £25m management contract for a town centre development at Redhill has been awarded to **JOHN MOWLEM AND CO.** The contract, for Norwich Union Insurance, in partnership with Surrey County Council and Reigate and Banstead Borough Council, forms part of a £40m scheme for Redhill's demolished North East Quadrant site. Mowlem's contract is in three parts. The retail element comprises a 50,000 sq ft supermarket for J. Sainsbury and 12 shop units totalling 50,000 sq ft fronting London Road. This road is to be pedestrianised and the shops will have a covered walkway. The civic element includes a 32,000 sq ft civil hall, a 14,000 sq ft library, bus station and parking for 670 cars. The development will also include 140,000 sq ft of air-conditioned offices. All the main buildings will be of reinforced concrete and brick construction and a special feature will be the glass canopy roof which is to be erected over the pedestrianised street. Work has started for final completion in June 1986, but it is planned that the shopping complex will be ready for trading by Christmas 1985.



Artist's impression of the town centre complex being built at Redhill by John Mowlem

The contract is supported by a commercial sterling loan with ECGD backing.

★

Associated British Ports has placed the contract for a £400,000 scheme to widen the entrance to the North Dock at the Port of Garston on the Mersey. The contractors are **McTAY CONSTRUCTION** of Bromborough, Merseyside. The scheme, scheduled for completion in July will remove the beam restriction at the North Dock's entrance and will allow vessels of up to 63ft beam to enter the dock. Previously vessels over 55ft beam could only enter the port's Stalbridge and Old Docks. The scheme will improve navigation within the enclosed docks system, and will allow ships of broader beam to use the port's North Dock container terminal which was completed in July 1982.

★

TAYLOR WOODROW CONSTRUCTION (MIDLANDS) has been awarded £4m worth of work for a shopping development and an office block. Taylor Woodrow Developments has awarded the larger contract, worth £2.7m, for the construction of a shopping development, the Cascades Centre, Rotherham, scheduled for completion next December. The building will be of two and three storeys with a total floor area of 6,800 sq metres. The other project, worth £1.3m, is a four-storey office block for Telford Development Corp, due for completion in August, 1984.

★

S.W. FARMER GROUP'S structural engineering subsidiary, S.W. Farmer & Son, has received an order worth £1.3m for structural steel for the Plaju Aromatics plant in Sumatra, Indonesia. The contract has been placed on behalf of Pertamnina, the state-owned oil company, by Thyssen Rheinsthaltechnik GMBH of Dusseldorf, and M.W. Kellogg Co Inc of Houston in a joint venture. Work comprises process plant supporting steelwork, pipe racks and buildings.

★

TURRIFF CONSTRUCTION has been awarded a contract by Barnsley Metropolitan Borough Council for alterations and improvements to 116 homes at Hoyland, Barnsley. The contract is worth £1.5m and work is due to begin in mid-January. The completion date is next December.

★

British Home Stores has awarded a storefitting contract, worth about £1m, to **PARNALL & SONS** of Bristol. The main part of the contract is for storefitting for new audio/TV departments in 21 BHS stores throughout the country. In addition, major refitting work will be carried out in eight BHS branches.

★

J. A. ELLIOTT, Bishop's Stortford, has orders totalling £4.7m. Projects include a warehouse for Glaxo at Ware worth £1.7m; offices for Town and City Properties in St Albans, worth just under £1m; and a health centre for the Paddington and North Kensington Health Authority for £440,000. Work awarded to Elliott-Leyford includes refurbishment of the Holland and Thurston Dwellings in Newton Street, London, for the St Pancras Housing Association worth £970,000, and the extension of office accommodation for Glaxo at Ware, worth about £100,000.

★

PARNALL & SONS, Bristol-based storefitters, has been awarded a £1.4m contract for the British Airports' new Terminal 4 at London's Heathrow Airport. The contract is for the duty-free areas, banks and shops. Work will begin on January 1 and is due for completion by the end of June 1985.

★

Contracts worth over £11.5m have been won in Scotland by the **WHATLINGS CONSTRUCTION GROUP.** Largest contract, worth £3.6m, has been won by Whatling Building for the construction of Eastbank Senior School in Glasgow, for Strathclyde Regional Council. Work is scheduled to begin in January. Further contracts include: a fire station at Govan, worth £1m, for Strathclyde Regional Council; a housing rehabilitation programme in Dalmarnock under a £700,000 contract for the Bridgeton and Dalmarnock Housing Association; an £800,000 contract to build homes for the elderly at Summerford, Falkirk, for the Central Regional Council; and a sheltered housing contract worth £900,000 in Pollokshaws, Glasgow, for Kirk Care Housing Association.

★

Work recently awarded to the **WIGGINS GROUP** includes: a £364,470 contract for U.S.-based Devonshire Meadows at Roborough industrial estate, in Belliver, Plymouth; orders worth over £1.1m to build 30 flats and 18 flats in Southend and Thetford (Norfolk) respectively; and a £336,000 award for extensions to 25 bedrooms at the Ladbroke Hotel in Cobham.

★

SWINDON HEATING INSTALLATIONS, mechanical engineering subsidiary of the Chivers group, has been awarded contracts totalling over £250,000. Largest is mechanical installations for the elderly persons group dwelling in Stratton, Swindon; a £101,000 sub-contract in the Borough of Thamesdown's building project.

★

W. E. CHIVERS & SONS, Devizes, has started construction of a factory and offices for Locomoters, Andover. The contract —worth over £900,000—involves development of 3,340 square metres. Completion is due August 1984. Chivers also won the contract for a £650,000 development of shops and offices in Crockhamwell Road, Woodley, near Reading. The contract was awarded by the Langford Property Co., and work has begun. Chivers is also working on alterations to Greenacres School, Calne, and the erection of a sanitary annexe to St. Andrew's Hospital, Chippenham; the joint contract worth over £327,000.

★

COSTAIN CONSTRUCTION has won a £4.4m contract to build a central library in Ilford, for the London Borough of Redbridge. The contract involves construction of a five-storey public library. Included are all library fittings, shelving, a TV installation, audio-visual outlets, security and book checkout systems and wiring for computer terminals. Mechanical services are based on variable and constant volume air conditioning and mechanical ventilation using heat pumps and low energy technology with computerised building automation control systems. The project is due for completion in 1986.

★

Five contracts, totalling £4.9m, for road maintenance work have been awarded to **TAYLOR WOODROW OF NIGERIA**, Lagos, for the highways division of the Nigerian Federal Ministry of Works. The company will repair more than 800 km of roads in the states of Kano and Borno in northern Nigeria.

★

Two contracts, together worth £3.1m, for a hospital building and extending a by-pass have been awarded to **TAYLOR WOODROW CONSTRUCTION (NORTHERN).** The larger project, valued at £1.9m, is for the construction of a boilerhouse and workshop complex at Hartlepool General Hospital for the Northern Regional Health Authority. Work is due for completion in February, 1985. The other contract, worth £1.2m, is for an extension to the Bamber Bridge by-pass, south of Preston, and has been placed by Lancashire County Council. This is due for completion in November, 1984. Work involves the construction of 1.75 km of two-lane carriageway, including a reinforced concrete footbridge, a roundabout and links to a diverted side road. The contract is being financed by the Central Lancashire Development Corp. with a contribution by Lancashire County Council under a cost sharing agreement.

★

Work on a new breakfast cereal production and distribution complex on a new site at Shotton, Deeside, Clwyd, for the Cooperative Wholesale Society has been awarded to **SIMONBUILD**, Stockport, a member of the Multi Construction and Engineering Group. The contract valued at £2.7m, is for the design and construction of a two span 36 metre steel portal frame structure including a mezzanine in the production unit, with an attached two storey office and single storey workshop and amenities building. As well as landscaping, the external works include bases for silos and a cooling tower, weighbridge and security lodge with extensive paved areas for vehicle movements around the complex. The complex is to be in operation by early 1985.

★

Milton Keynes Development Corporation has awarded **A. MONK AND CO.** an £825,000 contract to build a unit of 27 workshops in a four-storey building of over 2,800 sq metres. The units will be built on the Crown Hill industrial estate, Watling Street, and will be let to small businesses.

★

R. M. Douglas busy with £17m orders

Contracts totalling £17.37m have been awarded to **R.M. DOUGLAS CONSTRUCTION** and associated companies for building work in the UK and Middle East. The overseas contracts, amounting to just over £9.31m include three car showrooms. Of these the largest job is a £3.43m BMW showroom in Oman that is being constructed in 12 months for completion in the autumn of 1984 by Douglas Ohi LLC. Two more showrooms are under construction for Datsun cars at Qaseem and Hail in Saudi Arabia. The contractor is Al-Esayi Saif Noman Douglas Co. Further foreign projects comprise a women's prison at Jumeirah, Dubai for the Dubai police force, which is to be completed in a year at a cost of £1.74m, and an extension to the Dubai Hilton Beach Club. Both are being constructed by the Douglas associate company Khansaheb Civil Engineering.

At home, Douglas has been successful in winning contracts throughout England and Wales. The region generating the highest level of activity is the North East, with the Stockton office reporting £3.26m of new work. This includes a major housing refurbishment for the City of Newcastle in which 164 homes at Blakelow will be modernised, with new kitchens, central heatin, re-wiring, insulation, decorating and further repairs as necessary. Due for completion in December 1984, the contract is worth £1.34m. A further housing contract has been placed by Ryedale District Council for 49 homes at Sternsall. The mixed development includes 24 sheltered flats with an associated warden's house, together with 16 family houses in six blocks and eight three-person flats in two blocks. Due for completion in January 1985, the contract is worth £824,000.

English Industrial Estates has placed a £987,000 contract for five factory units to be built at Consett. Of these, all but one will be sub-divided to form nursery units. Other work in the North East is concerned with social facilities of various types and small works.

Two sports centres are among £2.32m of jobs in South Wales. They comprise a £1.21m indoor bowls centre at Bridgend for Ogwr Borough Council and a £470,000 sports hall for Gwyndraeth Grammar School which is being built for Dyfed County Council. A four-level office refurbishment at Cardiff and a factory extension at Llandovery are both for the Welsh Development Agency, while other smaller works are for various commercial enterprises in the principality.

Balfour Beatty wins £18m work

BALFOUR BEATTY CONSTRUCTION has been awarded four contracts totalling nearly £18m. The largest, worth £15.3m, is for the A45 Ipswich by-pass western section awarded by the Department of Environment and Transport. The work comprises 8 km of dual two-lane trunk road, 4 km of single carriageway side road, two interchanges, six bridges and two pedestrian underpasses. Work will begin on February 6 with a 26 month construction period. The next largest contract is for extensions to the sorting office at Wolverhampton and alterations within existing buildings to form a fully mechanised letter sorting office for the Midlands Postal Board. The £2m-plus contract began on November 28 for a 58-week construction period. Construction of retail units on an existing town centre site for Hardanger Properties will include the demolition of an existing three-storey building whilst retaining the Victorian facade. Contract value is £203,000. Finally, a contract for the first phase of the West Riverside Office Development, Salford for Randomlynn is worth £345,000. This includes two three-storey office buildings in Georgian style, fully fitted out, and two "shell only" office units, together with pavings and reforming of roads.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Drayton Consolidated Tst, 11, Devonshire Square, EC, 2.30
Japan Assets Tst, 1, Charlotte Square, Edinburgh 12.30
Yarrow, Charing Cross Tower, Glasgow, 3.00

BOARD MEETINGS—
Finals:
Carroll Inds.
Jackson (J. and H. B.)
Johnson and Firth Brown
Nash Inds.
Whesoe
Interims:
Halma
Hampton Gold Mining Areas
Marston Thompson and Evershed
May and Hassell
Memory Computer
Milbury
Monk (A.)
Norcros
Sungei Besi Mines Malaysia
Syltone

DIVIDEND & INTEREST PAYMENTS—
Bank of Ireland Cap 5.5p
Bowthorpe 1.84p
Bradbury Wilkinson 8pc Ptg Pref 3p
Bright (John) 8pcLn 1988-93 4pc
Exchequer 3pc 1984 1.5pc
Lowland Inv 3.65p
NBE Finance (Cayman) Gtd Fltg Rate Serial Nts 1987 65cts
Nationwide Bldg Soc 11¼pc Bds 19/12/83 £5.8099
Newey Group 5pcPf 1.75p
North Sea Assets 3p
Pineapple Dance Studios 1.5p
Smart (J.) (Contractors) 2.85p
Third Mile Inv 0.7p
Tiger Oats and National Milling 90cts
Utd Mizrahi Int Inv NV Gtd Fltg Rate Nts 1988 $533.16

TOMORROW

COMPANY MEETINGS—
G.R. Higgs, Chartered Accountants Hall, Moorgate Place, EC, 12.00
New Court Tst, New Court, St Swithin's Lane, EC 2.45
Oceana Consd, Garden House, 18, Finsbury Circus, EC, 12.00
Quest Automation, Quest House, School Lane, Chandler's Ford, Hampshire 11.00
Scottish National Tst, 181-195, West George Street, Glasgow, 12.00
Simpson (S.), 34, Jermyn Street, SW, 12.00

BOARD MEETINGS—
Finals:
Carlton Comunications
Citer
Windsor Secs.
Interims:
Alliance Inv.
Austin (James) Steel
Batleys of Yorkshire
Belgrave (Blackheath)
British Land
Capper Neill
F.M.C.
Stoddard
Trust Secs.

DIVIDEND & INTEREST PAYMENTS—
Bank of Montreal Fltg Rate Debs Series 5 1990 $52.10
Essex Wtr. 3½pcPerpDb 1¾pc. 4pcPerpDb 2pc. 5pcPerpDb 2½pc. 5pcDb 1986-91 2½pc. 5¼pcDb 1983-85 2⅝pc. 6pcDb 1981-83 3pc. 6½pcDb 1982-84 3¼pc. 7pcDb 1986-88 3½pc. Do. 1987-89 3½pc. 8pcDb 1991-93 4pc. 7¾pcDb 1993 3⅞pc. 10pcDb 1992-94 5pc 10½pcDb 1994-96 5¼pc
M & G American Recovery Fund 0.55p
Oceana Consd 1.125p
Porto Alegre (Stlg) Gtd 5pc Gold Bds 2½pc
Unilever NV Sub (Cert Ned Adm Tr Fl 12) Fl 2.664

WEDNESDAY, DECEMBER 21

COMPANY MEETING—
TR Australia Inv Tst, Mermaid House, 2 Puddle Dock, EC, 10.45

BOARD MEETINGS—
Finals:
Kelsey Inds.
Kitchen (Robert) Taylor
Lloyds and Scottish
North British Steel
Speratt (C. A.)
Williams (John) of Cardiff
Interims:
E.R.F.
Energy Finance and Gen. Tst.
Equity and Law Life Assurance Soc.
Forminster
Harris (Philip)
Harrisons Malaysian Plants.
Highgate Optical and Industrial
Petbow
Sheraton Secs. Intnl.
Sterling Inds.

DIVIDEND & INTEREST PAYMENTS—
Drayton Consd Tst 6.5p
Flight Refuelling 0.9p
Glynwed Intnl. 2.45p
Multibanco Comerex SA Fltg Rate Nts 1984 $51.79
Narborough Plantations 1.7p
North Atlantic Secs 2p
Phizer 29cts
Scottish National Tst 2.7p. 6pcPf 2.1p

THURSDAY, DECEMBER 22

COMPANY MEETINGS—
Aberdeen Tst, Station Hotel, Guild Street, Aberdeen, 12.00
Anglo Scottish Inv Tst, Great Eastern Hotel, Liverpool Street, EC, 11.15
Boulton (William) Clayton Lodge Hotel, Clayton Road, Newcastle, Staffordshire, 12.30
Gomme, Spring Gardens, High Wycombe, Buckinghamshire, 10.30
Intervision Video, Royal Festival Hall, South Bank Concert Halls, S.E., 11.30
Strong and Fisher, Moat House Hotel, St Mary's Street, Bedford, 12.00
Wemyss Inv Tst, 4, Melville Crescent, Edinburgh 12.15

BOARD MEETINGS—
Finals:

[illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Amer. Gen.†	54.3	58.4	.....	0.75
Income*	77.4	84.5xd	.....	5.45
Capital Inc.‡	84.7	91.0	.....	2.16
Do. Acc.‡	106.4	114.4	.....	2.16
Exempt‡	188.0	203.0	.....	4.44
Intl. Recovery Inc.‡	36.0	39.8	.....	2.14
Do. Acc.‡	48.0	51.7	.....	2.14

Dealing *Tues. ‡Wed. †Thur. Prices Dec. 13/14/15.

INSURANCES

Insurances—continued

Albany Life Assurance Co Ltd
3 Darkes Lane, Potters Bar. 0707-42311
Pension Funds

EqPenFdAc	610.0	644.1	−2.9	—
EuroFdAc	96.3	101.3	+1.3	—
FixedPenAc	419.3	441.4	+1.2	—
GtMnPnAc	250.6	263.8	+0.1	—
IntlManFd	264.9	278.7	−0.7	—
JapPenFd	132.0	138.9	+1.0	—
AmPnFdAc	129.6	136.4	−1.0	—
PropPenAc	229.2	241.3	+0.1	—
MplInPnAc	523.2	550.6	−1.2	—

Capital Life Assurance
24 Ludgate Hill, EC4P 4BD

Key Inv Fd	—	123.84	....	—
PackmkrInvFd	—	123.24	....	—
Equity Fd	99.87	105.13	....	—
Fxd Int Fd	98.46	103.64	....	—
Property Fd	96.75	101.84	....	—
Cash Fd	96.75	101.84	....	—
Mngd Fd	100.17	105.44	....	—

Commercial Union Group
St Helens, 1 Undershaft, EC3. 01-283 7500

VarAnUtsDc17	—$148.87	−0.65	—
VarAnUtsDc23	—$33.10	−0.18	—

Prime Series

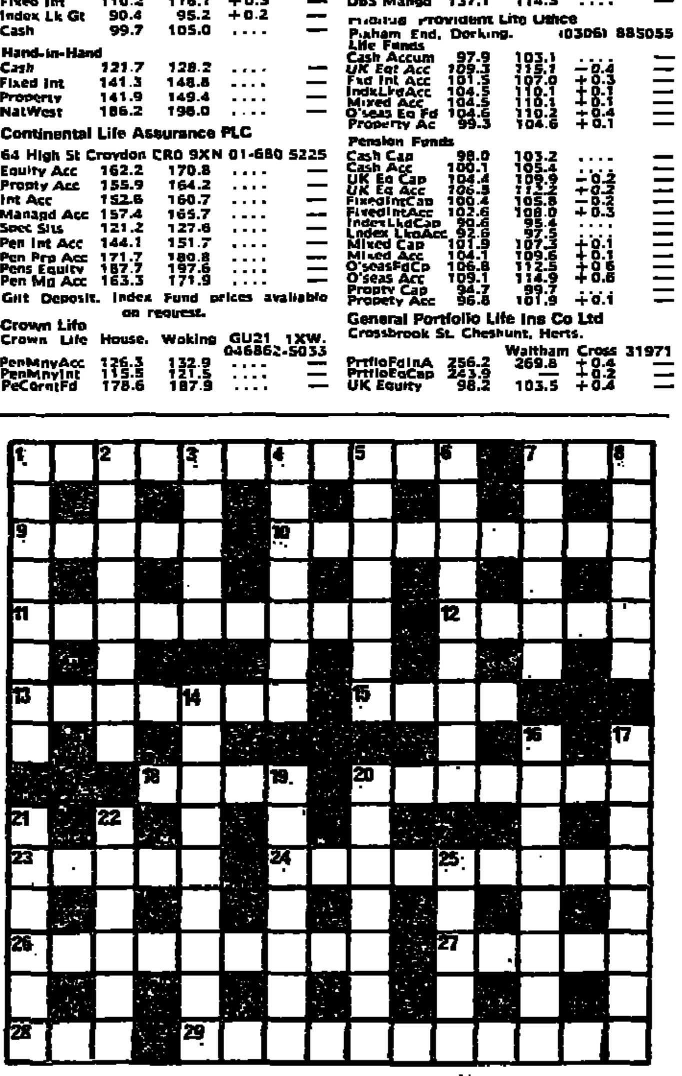
Managed	127.7	134.5	+0.2	—

Offshore & Overseas—continued

Money Market Trust Funds

Money Market Bank Accounts

F.T. CROSSWORD PUZZLE No. 5,297



ACROSS

1 Its occupant won't stand for revolution (6-5)
7 Some notes for the legal profession (3)
9 A patch put on a cuff, perhaps (5)
10 A girl takes drink, start of a good evening out (9)
11 Gypsum and basalt are different (9)
12 Grew agitated about a gambling venture (5)
13 Parties appeal to him (7)
15 Repair that's right inside and wrong outside (4)
18 Does wrong, gets lines (4)
20 Filthy bones scattered around the church (7)
23 A lot of politicians do (5)
24 Sovereign bonds from which authors derive an income (9)
26 A foolish assumption of the old school (6, 3)
27 Communist firm about belief (5)
28 I leave the earth for the sun (3)
29 Private lines in the services (4, 3, 4)

DOWN

1 Greek coasters perhaps (8)
2 He's concerned with his image, being badly tailored (8)
3 Wide on top? (5)
4 Pipe of pipes (7)
5 Declared a number were incorrect (7)
6 A sign that some of us are mending our ways (9)
7 Game between two sides? (6)
8 *Consider changing gear on the way* (6)
14 Musical picnicker (5-4)
16 Disease of more than one fruit, we hear (8)
17 Beach shoes are adjusted for it (8)
19 A race between two poles and an Arab (7)
20 Original place for holding races every four years (7)
21 Passed shuffled cards (6)
22 Old character in car firm is an engineer (6)
25 Bound to have spirit (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday December 31.

INSURANCE & OVERSEAS MANAGED FUNDS

Black Horse Life Ass. Co. Ltd.
71, Lombard St., EC3. 01-623 1288

G.T. Management Ltd.
16 Finsbury Circus, Lond. EC2M 7DJ. 01-628 8131

British National Life Assurance Co. Ltd.
Harlands Rd, Haywards Heath. 0444 414111

Assicurazioni GENERALI S.p.A.
117, Fenchurch St., EC3M 5DY. 01-488 0733

General Portfolio Life Ins. C. Ltd.
Crossbrook St., Cheshunt, Herts. Waltham X 31971

Lloyds Life Assurance—cont.
Gartmore Funds—Series A

Property Growth Assur. Co. Ltd.
Leon House, Croydon CR9 1LU. 01-680 0606

Standard Life Assurance Company
3 George St., Edinburgh EH2 2XZ. 031-225 2552

Barclays Unicorn International
1, Charing Cross, St. Helier, Jersey. 0534 73741

Bishopsgate Commodity Ser. Ltd.
P.O. Box 42, Douglas, I.o.M. 0624-23911

Hambros Fd. Mgrs. (C.I.) Ltd.
P.O. Box 86, Guernsey. 0481-26521

Henderson Admin. & Man. (Guernsey)
PO Box 71, St. Peter Port, Guernsey 0481 26541

Henderson Baring Group

Richmond Life Ass. Ltd.
4 Hill Street, Douglas, IoM. 0624 23914

Rothschild Asset Management (C.I.)
St Julian's Ct, St Peter Pt, Guernsey 0481 26741

Rothschild Australia Asset Mgt Ltd.
17 Bridge St, Sydney 2000, Australia

Warburg Invest. Mngt. (I.O.M.) Ltd.

Warburg Invest. Mngt. Jrsy. Ltd.
St Helier, Jersey 0534 74715

Wardley Investment Services Ltd.
Hutchison House, Hong Kong

WestAven Secs (Guernsey) Ltd
St Peter Port, Guernsey 0481 27768

World Wide Growth Management
Boulevard Royal, Luxembourg

Wren Commodity Management Ltd.
Douglas IoM 0624 25015

OFFSHORE AND OVERSEAS

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price.

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
20Aug	20F	Exch 11¼pc 1984	100	14 7	11.22	9.20
22N	22May	Exchequer 14pc 1984	101⅞	17 10	13.74	9.36
19D	19Jun	Exch 3pc 1984	97 xd	14.11	3.09	9.12
26Mar	26S	Treasury 12pc 1984	101¾	22.8	11.79	9.47
22Aug	22F	Treasury 15pc 1985	105	18 7	14.28	10.21
22S	22Mar	Exch. 12pc Cnv '85	102	16 8	11.74	10.06
21N	21My	Treasury 3pc 1985	93⅝	17 10	3.20	7.82
15Jan	15Jul	Treasury 11½pc 1985	101 xd	9 12	11.28	10.18
3 Mar	3 Sept	Treas 8¾pcCnv '85	98	28 7	8.91	9.88
22May	22N	Exch. 12¼pc 1985	102	17 10	11.90	10.49
25 Aug.	25F	Exch. 11¼pc '86	102	19 7	11.52	10.64
—		Treas 10pc Cnv 1986	100	—	9.96	9.75
19N	19May	Treasury 3pc 1986	88⅝	13 10	3.39	8.29
19 Nv	19 My	Exch. 10½pc Cv '86	100⅜	13 10	10.46	10.31
12D	12Jun	Treasury 12pc '86	102⅜	7.11	11.72	10.87
10Ja	10Jul	Treasury 8¼pc '84-86‡‡	97 xd	5 12	8.73	9.73
14 Jan	14 Jy	Treas. 12¾pc '86 Cnv	108½xd	8.12	11.29	8.52
29Apr	29Oct	Exch 14pc 1986	107¼	22.9	13.07	10.94
May 21	—	Exch 2½pc 1986 ●	84¼	—	2.95	8.49
22Jul	22Jan	Exch. 13¼pc 1987	105¾xd	15 6	12.53	11.02
10 Fb	10 Ag	Treas 10¼pc Cnv '87	98	—	10.40	10.78
24 Fb	24 Aug	Exchequer 2½pc 1987	83¼	18.7	3.00	8.62
Oct 6	Apr 6	Exch. 10½pc 1987	98	1 9	10.63	10.91
1N	1May	Funding 6½pc '85-87‡‡	91½	26 9	7.10	9.50
—		Treas 10pc 1987	97	—	10.26	10.88
14Ja	14Jul	Treasury 3pc 1987	83 xd	8.12	3.60	8.57
3 May	3N	Treas 12pc 1987	102⅞	27.9	11.66	11.04
26Jul	26Ja	Treasury 7¾pc '85-88‡‡	92	30.6	8.37	9.98
10 My	10 Nv	Exch 10½pc '88	98	4 10	10.62	10.84
—		Treas 9¾pc Conv '88	96	—	10.09	10.72
1Ja	1Jul	Transport 3pc '78-88	80½xd	25.11	3.73	8.24
25Ap.	25Oct	Treas. 9½pc '88	94	19 9	10.05	10.92
Five to Fifteen Years						
22Aug.	22F	Treasury 11½pc 1989	105	18 7	11.35	11.13
14 Dc	14 Jn	Treas 10½pc 1989	98	7 11	10.72	11.01
—		Exch 10pc 1989 (£60pd)●	59⅝	—	10.40	10.94
15Ap	15Oct	Treasury 5pc '86-89	82¼	8.9	6.15	9.29
15Jul.	15Ja.	Treasury 13pc 1990‡‡	107¾xd	9 12	12.03	11.14
22Sept	22Mar	Exch. 12½pc 1990	108⅜	16 8	11.86	11.27
15O	15Jun	Treasury 8¼pc '87-90‡‡	90	8.11	9.18	10.43
10Jul	10Ja	Treasury 11¾pc 1991	101⅝xd	5.12	11.48	11.27
5Oct.	5Ap.	Funding 5¾pc '87-91‡‡	81¼	1 9	7.18	9.60
25Ap.	25Oct.	Exch. 11pc 1991	101⅛	19 9	11.06	11.09
22Jul	22Ja.	Treasury 12¾pc '92‡‡	107xd	15 6	11.79	11.19
21Aug.	21Fb.	Treasury 10pc 1992	98⅝	15.7	10.49	10.86
25Fb.	25Aug.	Exch. 12¼pc '92	108⅞	19 7	11.67	11.31
22Mar.	22S	Exchequer 13½pc '92	114⅛	16.8	12.11	11.37

Over Fifteen Years

Undated

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[illegible]

Central African

[illegible]

MINES—continued

Australians

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		♥ACM 20c	18½	—	—	—	—
—		Allstate Expln NL	36	—	—	—	—
—		♥Australis Mng. NL	26	—	—	—	—
—		Balmoral Resources	16	—	—	—	—
—		♥Black Hill Mins.	35	—	—	—	—
—		♥Bond Corp	78	—	Q10c	♦	8.2
Nov.	Apr	♥Bougainville 1 Kina	160	11.3	mQ3 21	1.2	1.2
May	Nov	♥CRA 50c	366	11.3	tQ3c	—	0.5
—		♥Carr Boyd 20c	80	—	—	—	—
—		♥Central Kalgoorlie	38	—	—	—	—
—		♥Central Pacific	22	—	—	—	—
—		♥Cons. Gold Mng Areas.	3½	—	—	—	—
—		♥Coopers Res N.L.	9½	—	—	—	—
—		♥Crusader Oil	204	—	—	—	—
—		♥Cultus Pac NL	16	—	—	—	—
—		♥Eagle Corp 10c	10½	5.9	—	—	—
—		♥Emperor Mines	205	—	—	—	—
—		♥Endeavour 20c	11½	—	—	—	—
—		♥Endeavour Gld Mines	28	—	—	—	—
Apr	Oct	♥GM Kalgoorlie 25c	630	29.9	hQ10c	♦	1.0

[illegible]

Tins

[illegible]

Miscellaneous

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
—		♥Anglo-Dominion	70	—	—	—	—
—		♥Anglo Utd. Dev.	57	—	—	—	—
—		Centennial Minerals	190	—	—	—	—
—		♥Colby Res Corp.	115	—	—	—	—
Aug.	Feb.	Cons. Murch. 10c.	670	4.7	‡060c	1.9	‡
Feb	Aug	Eastern Trans Cons 50c	£17	4.7	Q85c	4.9	2.5
Sept	Feb	Hampton Areas 10p	205	18.7	3.75	2.1	2.5
—		♥Highwood Res	170	—	—	—	—
May	Aug	Homestake Mining $1	£20½	2.11	Q20c	—	0.7
October		Northgate C$1	365	977	—	—	—
Jan.	July	R.T.Z.	577	31.10	t17.0	2.9	4.2
Jan	July	Do. 9¼% Cn.Uns.Ln. '95-2000	£129	31.10	Q9¼%	32.5	f7.6
—		♥Sabina Inds C$1	70	—	—	—	—
—		♥Tara Expln $1	745	—	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Principal and interest tax-free to non-residents on application.
- φ Figures or report awaited.
- ♥ Not officially UK Listed, dealings permitted under Rule 163(4)(a).
- ✣ USM, not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 163(3).
- ≠ Price at time of suspension.
- § Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- ♢ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ǁ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♯♯ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Issue price. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or other official estimates for 1982-83. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL AND IRISH STOCKS

The following is a selection of regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

OPTIONS

3-month Call Rates

Industrials		House of Fraser	21	Vickers	12
Allied Lyons	13	I.C.I.	45	Woolworth Hld.	35
BOC Grp	20	"Imps"	12		
B.S.R.	18	I.C.L.	6	**Property**	
Babcock	15	Ladbroke	21	Bristol Oil & Min	—
Barclays Bank	45	Legal & Gen.	45	Brit. Land	9
Beecham	28	Lex Service	35	Cap. Counties	15
Blue Circle	40	Lloyds Bank	50	Land Sec.	34
Boots	17	"Lofs"	3	MEPC	24
Bowaters	22	London Brick	10	Peachey	17
Brit. Aerospace	19	Lucas Inds.	36	Samuel Props.	12
B.A.T.	34	"Mams"	12	Sterling Guar.	4
Brown (J.)	3	Mrks. & Spncr.	20		
Burton Ord.	38	Midland Bank	42	**Oils**	
Cadburys	11	N.E.I.	10		
Courtaulds	11	Nat. West. Bank	55	Brit. Petroleum	35
Debenhams	14	P & O Dfd	22	Burmah Oil	16
Distillers	20	Plessey	20	Charterhall	8
Dunlop	5	Racal Elect.	18	Premier	5
Eagle Star	60	R.H.M.	7	Shell	50
F.N.F.C.	6½	Rank Org. Ord.	19	Tricentrol	20
Gen. Accident	42	Reed Intnl.	34	Ultramar	68
Gen. Electric	17	Sears	8		
Glaxo	75	T.I.	14	**Mines**	
Grand Met.	30	Tesco	16	Charter Cons.	22
G.U.S. 'A'	55	Thorn EMI	55	Cons. Gold	58
Guardian	45	Trusthouse	16	Lonrho	8
G.K.N.	16	Turner & Newall	8	Rio T. Zinc	58
Hawker Sidd.	32	Unilever	75		

"Recent Issues" and "Rights" Page 12

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

No stopping the dollar

BY COLIN MILLHAM

Only the threat of heavy intervention by the German Bundesbank put any brake on the dollar's rise on the foreign exchanges last week. But even determined action by the German central bank merely slowed the advance without bringing it to an end.

The Bundesbank may have *spent up to $500m in Frankfurt* and New York on Wednesday trying to pull the dollar down from a near 10-year peak against the D-mark, and followed this up with further intervention on Thursday and Friday, only to see the dollar rise above DM 2.77 for the first time in almost 10 years.

It was suggested in the market however that without the intervention of the Bundesbank the dollar would probably have gone well beyond the DM 2.80 level.

Other central banks seemed less concerned by the rise of the dollar, and on Wednesday afternoon, when Bundesbank activity was at its height the Swiss National Bank went to the trouble of issuing a statement saying it had not intervened on *the exchanges.*

The Bank of France was apparently resigned to allowing the French franc to fall to an all-time low against the dollar, but the lack of support for the franc at a time when the German authorities were trying to boost the D-mark led to a weakening of the franc within the European Monetary System. This is not causing any concern at present, and is not regarded as the first sign of an early realignment of the system.

Among major currencies only the Japanese yen held steady against the dollar, resulting in *a further rise by the yen against* European currencies, taking it to a record high in terms of the D-mark.

Sterling fell below $1.41 at one time on Wednesday, but recovered slightly on news that the British National Oil Corporation is proposing unchanged prices for North Sea oil in the first quarter of 1984. But with the trade-weighted index remaining around 82 the Bank of England also seemed resigned to let the pound fall, obviously hoping that the dollar's present *levels are temporary.*

£ in New York

	Dec. 16	Previous
Spot	$1.4170-4185	$1.4180-4190
1 month	0.17-0.18 dis	0.16-0.17 dis
3 months	0.33-0.35 dis	0.34-0.36 dis
12 months	1.22-1.27 dis	1.24-1.29 dis

£ forward rates are quoted in U.S. cents discount.

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.4140	1.4158	1.4175	1.4198	1.4263
D-Mark	3.9300	3.9218	3.9002	3.8695	3.8099
French franc	11.9850	12.0242	12.1169	12.2612	12.5271
Swiss Franc	*3.1350*	*3.1241*	*3.0978*	*3.0566*	2.9758
Japanese Yen	333.5	332.9	331.2	328.7	323.6

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU December 16	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	45.9874	+2.42	+1.83	±1.5447
Danish Krone ...	8.14104	8.17020	+0.36	−0.23	±1.6425
German D-Mark	2.24184	2.25707	+0.68	+0.09	±1.0642
French Franc ...	6.87456	6.89485	+0.30	−0.29	±1.4052
Dutch Guilder ...	2.52595	2.53280	+0.27	−0.32	±1.4964
Irish Punt	0.72569	0.727513	+0.25	−0.34	±1.6699
Italian Lira	1403.49	1366.44	−2.64	−2.64	±4.1505

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

BANK OF ENGLAND TREASURY BILL TENDER

	Dec. 16	Dec. 9		Dec. 16	Dec. 9
Bills on offer......	£100m	£100m	Top accepted rate of discount.	8.9244%	8.8843%
Total of applications......	£232m	£316.11m	Average rate of discount	8.8997%	8.8843%
Total allocated....	£100m	£100m	Average yield.......	9.10%	9.09%
Minimum accepted bid....	£97.775	£97.785	Amount on offer at next tender....	£100m	£100m
Allotment at minimum level...	4%	92%			

THE POUND SPOT AND FORWARD

Dec 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.4130-1.4200	1.4135-1.4145	0.15-0.20c dis	−1.48	0.32-0.37dis	−0.97
Canada	1.7675-1.7750	1.7680-1.7690	0.03-0.13c dis	−0.54	0.15-0.25dis	−0.45
Nethlnd.	4.39½-4.42½	4.40½-4.41½	1¼-¾c pm	2.72	3⅝-3⅛ pm	3.06
Belgium	79.80-80.20	79.95-80.05	5-15c dis	−1.50	27-37 dis	−1.60
Denmark	14.19-14.24	14.19¾-14.20¾	1.50-2.60ore dis	−1.73	3.30-4.45dis	−1.09
Ireland	1.2620-1.2700	1.2655-1.2665	0.32-0.40p dis	−3.41	0.85-1.00dis	−2.92
W. Ger.	3.92-3.94	3.92½-3.93½	1⅛-⅞pf pm	2.67	3⅛-2⅝ pm	3.05
Portugal	186.50-189.25	187.50-188.00	130-310c dis	−14.06	470-975dis	−15.39
Spain	225.25-226.50	225.40-225.60	215-235c dis	−11.97	600-630dis	−10.91
Italy	2,376-2,384	2,377½-2,379½	14½-16½lire dis	−7.82	44½-47½dis	−7.73
Norway	11.01-11.08	11.02-11.03	3.15-3.90ore dis	−3.84	8.10-9.85dis	−3.44
France	11.97½-12.02½	11.98-11.99	3½-4½c dis	−4.00	12½-14 dis	−4.42
Sweden	*11.48-11.53*	11.48½-11.49½	2.50-3.10ore dis	−2.92	6.35-7.00dis	−2.32
Japan	332½-335	333-334	0.75-0.65y pm	2.52	2.15-2.05 pm	2.52
Austria	27.60-27.75	27.62-27.67	7⅝-6⅛gro pm	3.01	23⅞-20⅜ pm	3.20
Switz.	3.12½-3.15	3.13-3.14	1⅛-⅞c pm	4.31	4-3½ pm	4.78

Belgian rate is for convertible francs. Financial franc 81.00-81.10. Six-month forward dollar 0.55-0.60c dis. 12-month 1.18-1.28c dis.

THE DOLLAR SPOT AND FORWARD

Dec 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4130-1.4200	1.4135-1.4145	0.15-0.20c dis	−1.48	0.32-0.37dis	−0.97
Ireland†	1.1160-1.1205	1.1160-1.1170	0.18-0.15c pm	1.77	0.56-0.49 pm	1.88
Canada	1.2490-1.2510	1.2500-1.2510	0.12-0.09c pm	1.01	0.18-0.15 pm	0.53
Nethlnd.	3.1075-3.1180	3.1160-3.1180	1.13-1.03c pm	4.16	3.13-3.03 pm	3.96
Belgium	56.43-56.57	56.55-56.57	1½c pm-par	−0.16	7-10 dis	−0.60
Denmark	10.02½-10.05	10.04½-10.05	par-½ore dis	−0.30	par-½ dis	−0.10
W. Ger.	2.7675-2.7810	2.7775-2.7785	0.95-0.90pf pm	3.99	2.80-2.75 pm	3.99
Portugal	132.20-133.00	132.65-132.95	80-200c dis	−12.65	300-650dis	−14.31
Spain	159.40-159.60	159.40-159.50	125-145c dis	−10.16	375-425dis	−10.04
Italy	*1,678½-1,683*	*1,682-1,683*	*8¾-9¼lire dis*	−6.43	*28-29¾ dis*	−6.75
Norway	7.7979-7.8100	7.8000-7.8050	1.40-1.70ore dis	−2.38	4.60-4.90dis	−2.43
France	8.4525-8.4875	8.4750-8.4800	1.65-1.85c dis	−2.48	6.50-7.40dis	−3.28
Sweden	8.1240-8.1300	8.1250-8.1300	0.90-1.10ore dis	−1.48	2.60-2.80dis	−1.33
Japan	234.85-236.00	235.65-235.75	0.73-0.69y pm	3.62	2.20-2.15 pm	3.70
Austria	19.52-19.59	19.57-19.58	7.50-6.90gro pm	4.42	21½-19½ pm	4.19
Switz.	2.2075-2.2185	2.2145-2.2155	1.07-1.02c pm	5.67	3.20-3.15 pm	5.74

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

Belgian rate is for convertible francs. Financial franc 57.30-57.35.

OTHER CURRENCIES

Dec. 16	£	$		£ Note Rates
Argentina Peso...	30.15-30.22	21.28-21.31	Austria............	27.60-27.90
Australia Dollar...	1.5835-1.5875	1.1180-1.1190	Belgium............	80.95-81.75
Brazil Cruzeiro...	1,324.9-1,332.9	935-940	Denmark............	14.15-14.30
Finland Markka...	8.3185-8.3415	5.8900-5.8950	*France*............	11.95-12.07
Greek Drachma...	140.55-141.15	99.00-99.50	Germany............	3.91¼-3.95¼
Hong Kong Dollar	11.0691-11.069	7.8190-7.8210	Italy............	2365-2395
Iran Rial............	125.60*	88.70*	Japan............	332-337
Kuwait Dinar (KD)	0.41480-0.41525	0.29325-0.29335	Netherlands......	4.39½-4.43½
Luxembourg Fr....	79.95-80.05	56.55-56.57	*Norway*............	11.02-11.12
Malaysia Dollar...	3.3110-3.3170	2.3410-2.3425	Portugal............	185-195
New Zealand Dlr.	2.1810-2.1860	1.5420-1.5445	Spain............	221¾-230½
Saudi Arab. Riyal	4.9235-4.9280	3.4810-3.4815	Sweden............	11.47-11.57
Singapore Dollar	3.0220-3.0280	2.1365-2.1380	Switzerland......	3.12½-3.15½
Sth. African Rand	1.7350-1.7390	1.2270-1.2300	*United States*....	1.41-1.43
U.A.E. Dirham....	5.1940-5.1995	3.6720-3.6730	Yugoslavia.........	199-215

* Selling rates.

CURRENCY MOVEMENTS

Dec. 16	Bank of England Index	Morgan Guaranty Changes%
Sterling............	81.9	−8.9
U.S. dollar............	131.1	+18.9
Canadian dollar....	92.1	+0.2
Austrian schilling.	114.2	+2.9
Belgian franc........	89.2	−11.8
Danish kroner........	78.3	−6.0
Deutsche mark.......	124.0	+6.6
Swiss franc........	150.6	+13.9
Guilder............	114.1	+4.0
French franc........	66.0	−15.5
Lira............	48.9	−11.9
Yen............	155.7	+12.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Dec. 16	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.732163	0.574488
U.S. $	8½	1.03850	0.813360
Canadian $...	10.06	*	1.01727
Austria Sch	3¾	20.2902	15.8930
Belgian F ...	10	58.6505	45.9874
Danish Kr....	7	10.0355	8.17020
D mark	4	2.87800	2.25707
Guilder	5	3.23129	2.53280
French F......	9½	8.79921	6.89485
Lira	17	1744.68	1366.44
Yen	5	243.768	191.668
Norwgn Kr...	8	8.09822	6.34908
Spanish Pta	—	165.555	129.731
Swedish Kr	8½	8.43677	6.61627
Swiss Fr	4	2.29872	1.80118
Greek Dr'ch	20½	103.206	80.9374

*C$/SDR rate for Dec 15: 1.29952.

EXCHANGE CROSS RATES

Dec. 16	Pound St'rling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.414	3.930	333.5	11.985	3.135	4.410	2379.	1.769	80.00
U.S. Dollar	0.707	1.	2.778	235.7	8.478	2.215	3.118	1683.	1.251	56.56
Deutschemark	0.254	0.360	1.	84.86	3.050	0.798	1.122	605.2	0.450	20.36
Japanese Yen 1,000	2.999	4.240	11.78	1000.	35.94	9.400	13.22	7132.	5.303	239.9
French Franc 10	0.834	1.180	3.279	278.3	10.	2.616	3.680	1985.	1.476	66.75
Swiss Franc	0.319	0.451	1.254	106.4	3.823	1.	1.407	758.7	0.564	25.52
Dutch Guilder	0.227	0.321	0.891	75.62	2.718	0.711	1.	539.3	0.401	18.14
Italian Lira 1,000	0.420	0.594	1.652	140.2	5.039	1.318	1.854	1000	0.744	33.63
Canadian Dollar	0.565	0.800	2.222	188.6	6.777	1.773	2.494	1346.	1.	45.24
Belgian Franc 100	1.250	1.768	4.913	416.9	14.98	3.919	5.513	2973.	2.211	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Dec. 16	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Kroner
Short term..........	8⅝-8⅞	9½-9¾	8¾-9¼	6-6⅛	2⅛-2¼	5 1/16-5⅛	12¼-12½	15-16	9-9½	9-9½	6¾-6⅞	11⅝-12⅝
7 day's notice....	8⅞-9	9⅝-9⅞	9-9⅛	6-6⅛	1¾-2	5⅛-5 5/16	12⅝-12⅝	16-17	9½-10	9½-10	7-7⅛	11⅛-12
Month	9 3/16-9 5/16	10 1/16-10 3/16	9⅝-9⅝	6 1/16-6 3/16	5⅛-5¼	6⅛ 6 3/16	12½-12¾	16⅝-17⅛	10¼-10¾	10¼-10½	6 13/16-7 1/16	11⅛-11¾
Three months	9⅛-9⅝	10 3/16-10 5/16	9¾-10	6 5/16-6 7/16	4¾-4⅞	6⅜-6 7/16	13⅛-13⅝	17⅛-17⅝	11-11½	10¾-11	6⅝-6¾	11¼-11¾
Six months..........	9⅞-10	10 7/16-10 9/16	10-10¼	6⅜-6 7/16	4 7/16-4 9/16	6 7/16-6½	14¼-14½	18-18½	11¼-11¾	11-11¼	6⅝-6¾	11¼-11¾
One Year............	10 1/16-10 3/16	10 13/16-11 1/16	10 3/16-10 5/16	6 9/16-6 11/16	4 5/16 4 7/16	6 9/16-6¾	14½-14¾	18¼-18⅞	11½-12	11⅛-11⅜	6 9/16-6 11/16	11⅜-11⅞

Asian $ (closing rates in Singapore): Short-term 9 11/16-9 13/16 per cent; seven days 9 13/16-9 15/16 per cent; one month 10½-10⅝ per cent; three months 10 7/16-10 9/16 per cent; six months 10 9/16-10 11/16 per cent; one year 10⅞-11 per cent. Long-term Eurodollars two years 11⅛-11⅜ per cent; three years 11⅞-12 per cent; four years 12⅛-12⅜ per cent; five years 12¼-12⅜ per cent nominal closing rates. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

FINANCIAL FUTURES

LONDON

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
March	89.47	89.48	89.34	89.38
June	89.18	89.19	89.05	89.07
Sept	88.96	88.97	88.87	88.88
Dec	88.74	—	—	88.62
March	88.44	—	—	88.35

Volume 2,670 (1,640)
Previous day's open int. 8,851 (8,623)

THREE-MONTH STERLING DEPOSIT
£250,000 points of 100%

	Close	High	Low	Prev
March	90.14	90.22	90.13	90.19
June	89.98	90.00	89.97	89.99
Sept	89.73	89.77	89.73	89.76
Dec	89.60	—	—	89.62

Volume 1,081 (1,352)
Previous day's open int. 4,589 (5,096)

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
Dec	108-14	108-18	108-14	108-25
March	107-16	107-29	107-10	107-25
June	107-03	—	—	107-12
Sept	106-19	—	—	106-31
Dec	106-06	—	—	106-18

Volume 1,733 (3,036)
Previous day's open int. 3,836 (3,466)
Basis quote (clean cash price of 13¾% Treasury 2003 less equivalent price of March contract) 36 to 52 (32nds)

STERLING £25,000 $s per £

	Close	High	Low	Prev
March	1.4200	1.4220	1.4175	1.4250
June	1.4225	1.4253	1.4200	1.4276
Sept	1.4255	—	—	1.4310

Volume 189 (260)
Previous day's open int. 2,120 (2,176)

DEUTSCHE MARKS
DM 125,000 $ per DM

	Close	High	Low	Prev
March	0.3635	0.3642	0.3635	0.3647
June	0.3671	—	—	0.3685
Sept	—	—	—	—

Volume 25 (40)
Previous day's open int. 238 (231)

SWISS FRANCS
SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
March	0.4570	0.4581	0.4570	0.4588
June	0.4652	—	—	0.4654
Sept	—	—	—	—

Volume 1 (3)
Previous day's open int. 80 (81)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
March	0.4282	0.4283	0.4282	0.4294
June	0.4324	—	—	0.4334
Sept	—	—	—	—

Volume 20 (43)
Previous day's open int. 209 (211)

CHICAGO

U.S. TREASURY BONDS (CBT) 8 per cent $100,000 32nds of 100 per cent

	Close	High	Low	Prev
Dec	70-07	70-08	69-30	69-23
March	69-17	69-18	69-09	69-01
June	68-31	69-00	68-22	68-14
Sept	68-14	68-16	68-07	67-29
Dec	67-31	67-31	67-24	67-14
March	67-18	67-18	67-10	67-00
June	67-07	67-07	66-30	66-20
Sept	66-29	66-29	66-18	66-10
Dec	—	—	—	—
March	—	—	—	—
June	—	—	—	—

U.S. TREASURY BILLS (IMM) $1m points of 100 per cent

	Close	High	Low	Prev
Dec	90.99	91.00	90.96	90.93
March	90.45	90.47	90.40	90.36
June	90.14	90.16	90.11	90.06
Sept	89.93	89.95	89.90	89.85
Dec	89.73	89.74	89.71	89.65
March	89.55	89.55	89.53	89.46
June	89.37	89.37	89.36	89.27
Sept	89.19	89.19	89.18	89.10

CERT. DEPOSIT (IMM) $1m points of 100 per cent

	Close	High	Low	Prev
Dec	90.12	90.13	90.07	90.02
March	89.64	89.65	89.56	89.49
June	89.29	89.30	89.23	89.15
Sept	89.04	89.04	88.97	88.90
Dec	—	—	—	—
March	—	—	—	—
Sept	75.85	—	—	75.50

THREE-MONTH EURODOLLAR (IMM) $1m points of 100 per cent

	Close	High	Low	Prev
Dec	89.54	89.55	89.46	89.43
March	89.23	89.24	89.12	89.06
June	88.91	88.92	88.85	88.76
Sept	88.69	88.69	88.61	88.54
Dec	88.48	88.47	88.45	88.34
March	88.27	88.27	88.25	88.14

STERLING (IMM) $s per £

	Close	High	Low	Prev
Dec	1.4170	1.4200	1.4135	1.4200
March	1.4205	1.4225	1.4165	1.4235
June	1.4236	1.4250	1.4180	1.4270
Sept	1.4265	1.4270	1.4250	1.4300
Dec	1.4295	1.4300	1.4270	1.4330
March	1.4330	1.4300	1.4280	1.4360

GNMA (SBT) $100,000 32nds of 100 per cent

	Close	High	Low	Prev
Dec	68-28	69-05	68-22	68-26
March	68-08	68-10	68-02	67-31
June	67-10	67-10	67-05	67-01
Sept	66-15	66-15	66-09	66-06
Dec	65-24	65-24	65-15	65-15
March	—	—	—	—
June	64-21	64-21	64-16	64-12
Sept	64-08	64-08	64-05	63-31
Dec	—	—	—	—
March	—	—	—	—

WEEKLY CHANGE IN WORLD INTEREST RATES

	Dec. 16	change		Dec. 16	change
LONDON			**NEW YORK**		
Base rates	9	Unch'd	Prime rates	11	Unch'd
7 day interbank	8 13/16	+⅛	Federal funds	9¾	+1/16
3 mth interbank	9 1/16	+⅛	3 Mth. Treasury Bills	9.12	+0.13
Treasury Bill Tender	8.8997	+0.0154	6 Mth. Treasury Bills	9.24	+0.05
Band 1 Bills	9 1/16	Unch'd	3 Mth. CD	10.10	+0.40
Band 2 Bills	9	Unch'd	**FRANKFURT**		
Band 3 Bills	8⅞	Unch'd	Lombard	6.50	Unch'd
3 Mth. Treasury Bills	8 13/16	+1/16	One Mth. Interbank	6.575	+0.01
1 Mth. Bank Bills	9	−1/32	Three month	6.475	+0.05
3 Mth. Bank Bills	9	+1/32	**PARIS**		
TOKYO			Intervention Rate	12	Unch'd
One month Bills	6.46875	Unch'd	One Mth. Interbank	12.25	+0.125
Three month Bills	6.28125	Unch'd	Three month	12.25	+0.125
BRUSSELS			**MILAN**		
One month	10⅝	−¼	One month	17 9/16	−⅛
Three month	10⅞	−¼	Three month	17 11/16	Unch'd
AMSTERDAM			**DUBLIN**		
One month	6⅜	+1/16	One month	12⅜	Unch'd
Three month	6 9/16	+¼	Three month	12⅝	Unch'd

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week. Band 4 bills 8⅞.

MONEY MARKETS

London rates rise on weak pound

Interest rates rose nervously in London last week as sterling fell to record lows against the dollar and showed signs of weakness *against* Continental currencies and the yen.

There was no sign of panic, however, with interbank rates moving up by about ⅛ per cent, but Bank of England intervention rates remaining steady as the authorities absorbed some modest shortages without difficulty. A surplus on Monday was followed by a £100m shortage on Tuesday, and £200m on Wednesday. *Thursday's shortage* of £400m was larger than expected because of a delay in paying £306m in housing subsidies to local authorities, but the shortage of only £200m on Friday was reduced by the late payment of the housing money, although the market was faced with a large drain on liquidity through £330m going out in a pre-Christmas rise in the note circulation.

In New York the Federal Reserve added reserves to the banking system on most days, *but failed to prevent a rise in* the Federal funds overnight rate to a peak of 10¼ per cent on Thursday. There was also some *fear that the large rise in M1* money supply announced Friday, while not particularly significant on its own with M1 still on target, may herald a tightening in U.S. monetary policy after this week's Federal Open Market *Committee meeting. This is* expected to result from recent fast economic growth causing inflationary pressure, but the picture was somewhat confused as a much larger than expected rise of 1.9 per cent in monthly retail sales contrasted *sharply* with a fall of 0.2 per cent in November wholesale prices.

There was *some speculation* that the weakness of the D-mark might prompt the Bundesbank to increase its Lombard rate, *but last week's meeting* of the bank's central council left credit policies unchanged.

UK clearing banks' base lending rate 9 per cent (since *October 4 and 5*)

MONEY RATES

Dec. 16	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.40-5.60	12⅝	1¼-2¼	5⅞-6	6.53125	17½-17⅞	7.40	11-12
One month	6.50-6.65	12 7/16-12 9/16	4 11/16-5 1/16	6¼-6½	6.53125	17¾-17¾	10¼-10½	12¼-12½
Two months	6.40-6.55	12 7/16-12 9/16	—	—	—	—	—	12¼-12½
Three months	6.40-6.65	12 7/16-12 9/16	4 11/16-4 15/16	6½-6⅝	6.28125	17⅝-18	10¾-11	12¼-12½
Six months	6.40-6.55	12 7/16-12 9/16	—	6⅝-6¾	—	—	—	12½-12¾
Lombard	6.5	—	—	—	—	—	—	—
Intervention	—	12	—	6¾	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

Dec. 16 1983	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	7-9	8⅛-8¾	8⅝-8⅞	6-9½	—	—	—	—	—
2 days notice...	—	—	8⅞-9	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 day notice ...	—	8¾-9⅛	8⅞-9	9-9¼	8⅞	—	—	—	—	—
One month...	9¼-9⅛	9 1/16-9 3/16	9⅛	9½	9	9	8 31/32	9	8 31/32	9⅝
Two months ...	9 3/16-9 5/16	9⅜-9½	9¼	9¼	9	8 29/32	8 15/16	8 31/32-9	8 15/16	9 15/32
Three months	9 3/16-9 5/16	9½-9⅝	9⅜	9⅞	9	8 15/16	8⅞	9	8 13/16	9⅝
Six months ...	9¾-9⅝	9⅞-10	9½	—	—	—	—	9 3/16-9 5/16	9 1/16	9 15/32
Nine months ...	9⅞-9¾	10-10⅛	9¾	—	—	—	—	—	—	—
One year	9⅞-9¾	10⅛-10¼	9¾	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Certs of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month......	9¾-9½	—	9 7/16	10.2-10.5	9 3/16-9 5/16	9⅛-9½
Two months.....	9¾-9½	—	9½	10.15-10.25	9 3/16-9 5/16	9¼-9⅝
Three months..	9¾-9½	—	9⅝	10.15-10.25	9⅜-9¾	9⅜-9¾
Six months.....	9⅝-9⅜	—	10	10.-10.4	9½-9⅞	9 15/16-10 1/16
Nine months....	10¼-9⅞	—	10⅛	10.5-10.7	—	—
One year.......	10⅛-9¾	—	10¼	10.70-10.90	9¾-10⅛	9 15/16-10 3/16
Two years.......	—	10½	—	—	—	—
Three years.....	—	10⅞	—	—	—	—
Four years......	—	11	—	—	—	—
Five years......	—	11	—	—	—	—

ECGD Fixed Rate Export Finance Scheme IV Average Rate for interest period November 2 to December 6 1983 (inclusive) 9.350 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. *Finance Houses Base Rates (published by the Finance Houses Association)* 9½ per cent from December 1 1983. London and Scottish Clearing Bank Rates for lending 9 per cent. London Deposit Rates for sums at seven days' notice 5½ per cent. Treasury Bills: Average tender rate of discount 8.8997 per cent. Certificates of Tax Deposit (Series 6). Deposits of £100,000 and over held under one month 9¼ per cent; one-three months 9½ per cent; three-six months 9¾ per cent; six-12 months 10¼ per cent. Under £100,000 9¼ per cent from December 14. Deposits held under Series 4-5 10 per cent. The rate for all deposits withdrawn for cash 8 per cent.

NEW YORK (4 pm)

Prime rate	11
Broker loan rate	10½-10¾
Fed funds	9⅝
Fed funds at intervention	9¾
Treasury Bills	
One month	9.00
Two month	9.10
Three month	9.09
Six month	9.22
One year	9.23
Treasury Bonds	
Two year	99½
Three year	99 21/32
Four Year	99 7/32
Five Year	99 5/32
Seven year	98 11/32
10 year	99 9/16
30 year	100 7/16

FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING
(11.00 am December 16)

3 months U.S. dollars

bid 10 7/16	offer 10 9/16

6 months U.S. dollars

bid 10 9/16	offer 10 11/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

FINANCIAL TIMES SURVEY

A fresh phase is starting for foreign investors and local businessmen as the country's new Government sets out to open up the economy. Martial law continues to be firmly exercised, however, and the generals are insisting on a long transition to full democracy

Turkish Industry

Prime Minister Ozal on hearing of his election victory last month: he is committed to making Turkey competitive

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		Editorial production of this survey by Mike Smith	

New scope for investment

THIS IS a crucial period for Turkey. Politically, the country has just embarked on the transition to the "disciplined democracy" of the generals who seized power three years ago. November's elections have led to the appointment of a civilian Prime Minister who now has to jostle for power both with the armed forces and with other politicians excluded from the polls.

By DAVID TONGE

Economically, 18 months of relatively lax management have seen inflation creep up again and the export boom taper off. The new government has little choice other than to impose further austerity—at just the time when banks and industry are beginning to feel the full cost of the previous such dose.

In both fields care is needed as at stake are the stability of Nato's exposed south east flank and the chance of speeding up the development of one of the potentially larger economies in the world.

First, the political framework. The election to office of Mr Turgut Ozal, the generals' deputy prime minister until June 1982, marks a major step forward on the road mapped out by the military. This road is an austere one. The Turkey entering 1984 is a far cry from the liberal parliamentary democracy of the 1960s and early 1970s.

The regime established by the generals is designed to prevent any return to the dark days of the late 1970s when political terror brought the country to the verge of civil war. The constitution and all the basic laws of the state have been rewritten. The result is a strong presidential system under which, from his palace above Ankara, President Kenan Evren, who led the 1980 coup, can keep a firm grip on the government and politicians toiling in the winter smog below.

The November elections were held under conditions of censorship and martial law, and with parties with any links to the mass pre-coup parties being banned. The heads of the three parties contesting the elections had all at one time been close to the country's military rulers and today Mr Ozal makes clear that he is not seeking any confrontation with the men he once served. On the contrary, he goes out of his way to insist that even their most controversial legislation—for instance, on trades unions, the press and the universities—should first be given a proper try.

In his view, Turkey has had too many zig-zags. It is time for stability. He is opposed to a wholesale removal of the ex-officers installed by the generals throughout the state machinery. Nor does he show undue concern over the human rights issues which have disturbed EEC governments such as France and Denmark—the continuing use of torture, the show trials of trades unionists, the purges of the universities, the harsh treatment of the press and the condemnation to up to eight years prison of the leaders of the local CND movement.

Those who voted for him expecting changes on the political front will be disappointed by some of the conservative attitudes he voices. His supporters sometimes counter that at present, he has no alternative but to try to reassure the military, now showing some unwillingness to return even a limited way back to the barracks.

But in conversation Mr Ozal makes it clear that he is little interested in revamping the country's politics by, for instance, ensuring parties banned from the November polling may properly contest the local elections due next year. Instead his priority is the economy, a fact in keeping both with his election campaign and his past record.

Twice before, in 1970 and 1980, he made a name for designing and the seeing through radical IMF-style packages. Today a similar approach is widely expected as he both tried to correct the course of the economy and open it up to competition and foreign investment.

His commitment to these goals is consistent and long-term — and one of the features on which foreign businessmen can rely as they assess the opportunities available to them in this country stretched between Europe and the Middle East.

It is true that some traditional Turkish businessmen, who have made their fortunes largely relying on state-backed protectionism, have shown some scepticism about Mr Ozal's plans. But most of them, together with a newer generation, interested in innovation and export, welcome his programme and his promises to take the country's notorious bureaucracy off their backs.

Many Turks are interested in finding foreign partners to help them develop the country's resources such as its massive agricultural potential or tourism. Some of these would-be partners are men who have previously relied on domestic trade and now realise that Turkey has to raise its sights if it is to pay its way in an ever tougher world.

Ambition

An example of such growing ambition is the Sabanci group which, having made a name in textile exports, is now busy carving out an international market in tyre cord and tyres. Others are contractors who flourished as Turkey built up its Middle East order books to an impressive $13bn, but who now see that the boom is over and that they must diversify.

Much has been done since Mr Ozal, then head of the State Planning Organisation, launched his 1980 measures to attract foreign investment. Legislation has changed, red tape been partially unknotted, the country's foreign exchange position considerably improved, and the economy generally shown much more stability.

That more investment has not yet been forthcoming reflects both the problems which many Turkish businessmen have in obtaining local funds on reasonable terms and hesitation from abroad. Part of that hesitation has been because of uncertainty over the fate of the world economy and part because of Turkey's own record in dealing with foreign investors.

Memories of the humiliations suffered by the Ottomans in the hands of foreign businessmen meant that it was not until the 1950s that Turkey began to welcome foreign capital. Even that welcome was not universal. While governments would usually call for foreign investment, medium-rank officials could make foreign companies' life a misery. Tyre companies such as Pirelli tell how permission to expand or modernise plants would not be forthcoming.

"If few people have arrived since 1980 we must look at the ups and downs of the past 30 years. We should appreciate the way groups are still paying attention to us," says Mr Ali Kocman, president of Tusiad, the Turkish businessmen's association, and himself now investing in a chicken plant with IFC backing.

In the longer term there remains the question of how stable the structures that the generals have created will prove to be. The tough union measures they have taken means it could be five years or so before workers are really able to fight to win back the purchasing power which they have lost since martial law was imposed and strikes banned. Unionists estimate their real take home pay has fallen by 40 per cent in the past four years.

But tension could emerge earlier where the political parties are concerned. The three parties now represented in parliament — Mr Ozal's Motherland Party with 211 seats, Mr Necdet Calp's left-of-centre Populist Party with 117 seats, and retired General Turgut Sunalp's conservative Nationalist Democracy Party with 71 seats —all owe their present strength to the banning from the elections of parties with any discernable links to pre-coup politics.

Mr Suleyman Demirel and Mr Bulent Ecevit, the last two pre-coup prime ministers of Turkey, are both sitting in enforced silence on the sidelines, as are 240 other politicians banned from all political activity. The Correct Way Party, Sodep, a social democrat movement, and a new left-wing grouping, all draw on the traditions and support which the two former prime ministers once had. In the future they could mount a strong challenge, but, excluded from the recent general elections and, possibly, from next year's local elections, their turn may be slow in coming.

The danger is that by excluding all opposition views from parliament the generals may have reduced the credibility of that body and encouraged the very bogey they most fear, extra-parliamentary activity.

Goodwill will be needed on all sides if the present "disciplined democracy" is to be made to work. Yet it has to work in the sense that, however flawed, no credible alternative is in sight. Most critics of the system argue in favour of working to reform the structure bequeathed by the generals rather than for rejecting them out of hand.

Awkward

More immediately, the question is whether Mr Ozal will succeed in his hopes of setting the economy to rights by giving a fresh boost to exports. He has an awkward inheritance—inflation on the up, a public sector borrowing requirement which is apparently way above target, and major troubles in the country's financial and industrial structures. At the same time the military remain in centre stage, with martial law applied as harshly as ever.

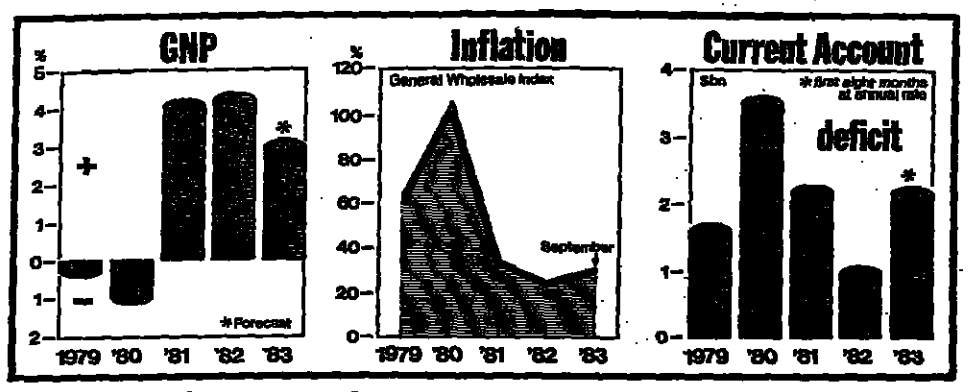
But the visitor finds him confidently stressing how these are far less than the troubles he faced three years ago. His bias is towards action. The legislative framework he has been given will ease that action. Turkey should soon be seeing some major economic changes. Most of these are expected to be welcome abroad. But at home the question is whether they will pay off sufficiently quickly to protect Mr Ozal's own power base.

Turkey's new premier plans a major policy package to curb inflation, boost exports and open the economy. On this and the next page, Mr Ozal's mixed inheritance and the harsh financial climate for business are analysed

Competitiveness the first priority

Economy

DAVID TONGE



Turkey's economy has turned round remarkably since 1980 when GNP fell and inflation exceeded 100 per cent. An export boom spurred economic revival and the country has become able to pay its way in the world. This year growth has slipped below 1981 and 1982 levels as agricultural output has fallen back from last year's record and, more seriously, export growth has come under strain. Inflation too has begun to edge upwards.

The current exchange rate is TL 275 per U.S. dollar and TL 390 per £.

THE FOLLOWERS of Mr Turgut Ozal, the new Turkish Prime Minister, are proud. Not only has he been responsible for the revival of the Turkish economy from the dark days of 1980 but he has caused the press to change. "People weren't interested in the economy, but look at the newspapers now. They all have economic pages. It's Mr Ozal's doing," boasts his Istanbul party head.

Mr Ozal's election campaign and indeed his whole philosophy derive from the premise that if the economy can be made to deliver, the rest will be easy. This emphasis on the importance of economic factors is understandable in a man who twice before—in 1970 as well as in 1980 — has been prepared to fight for classical IMF-style policies to deal with economic crisis.

But the emphasis remains highly necessary today. For Turkey has far to go if it is to develop a competitive economy and open up to the outside world as foreign investors and Mr Ozal would like. And, shrouded by the superficial prosperity of the crowded boutiques, video clubs and restaurants of Istanbul today, a series of disturbing factors are lurking:

- The export boom which has spurred the recovery of the past three years has tapered off. Several of the Middle Eastern markets on which Turkey relied have run into problems. Recently sales to Iraq, a key trading partner for Turkey, appear to be picking up, but in the first eight months of this year overall exports were a mere 2 per cent up on last year's levels.

- Domestic industry is in continuing trouble. Many factories are working at one-half to two-thirds capacity because of the depressed domestic market. Power cuts are again plaguing production, and will worsen if industrial output picks up. Financing costs, running at 35-40 per cent in real terms, are driving an increasing number of firms into bankruptcy. Only large-scale intervention by Mr Adnan Basar Kafaoglu, the last Minister of Finance, has prevented more groups from going under.

- The financial sector is under strain. Three small banks have collapsed, as have all the country's money brokers. Many banks have large amounts of non-performing debt on their books. There is inadequate funding for industry. The banks have yet to adapt to the virtual freeing of interest rates in 1980.

- Inflation has edged up to 30-35 per cent. There has been a surge in the money supply.

This mix reflects some of the price that has had to be paid for following an IMF programme—as well as the consequence of deviating from it. Mr Kafaoglu's rescue of a number of major firms from collapse has aggravated inflation and contributed to the problems in the export sector. The rescue has been achieved by a major expansion in domestic credit, in part achieved by diverting funds from export credit. Turkey now has problems in meeting credit targets agreed with the IMF—and Mr Kafaoglu has increased Mr Ozal's problems in this field by announcing that for the past 18 months the Turkish Government had been cooking its books to seem to be meeting those targets.

Belt tightening

All this means that Mr Ozal is likely to have to ask Turks to tighten their belts a further notch. Tough money and credit policies are expected and these in turn mean that an early major economic surge is unlikely. This year GNP is expected to grow by 3.2 per cent. A slip in agriculture after last year's record performance has pulled the economy back from the 4.2 and 4.4 per cent growth of 1981 and 1982. It is hard to see a rapid return to the 6-7 per cent growth of pre-crisis years. Yet such growth is essential if any inroads are to be made into unemployment now totalling around 18 per cent of the labour force.

Looking ahead, the external account is still in reasonable shape. Turkey is regularly servicing its $16bn debt and the Central Bank expects to raise around $400m-$500m on the Euromarkets next year, about double this year's figures.

But problems remain. In 1985 and 1986 Turkey faces a debt service-hump. The local contractors' boom in the Middle East appears over and the fragility of exports to that area has recently been underlined. In this context it is encouraging to see Turkey increasing its exports of manufactured goods to Western Europe and finding that its textile products now stand good chances in North America.

The basic question remains how competitive many Turkish firms can prove after having grown up cocooned by protectionism. Investment in fresh plant has been low for years, financing costs are markedly above those of the country's competitors, and the dead hand of the bureaucracy is only too alive. One firm says it needs 145 documents in order to make a single export. To start a building 40 separate taxes have to be paid. Just to appear on television before the elections, Mr Ozal found his staff had to sign four documents saying he was a party leader.

The new Prime Minister's aim is to change much of this. He wishes to reduce the role of the state. He would like to simplify and liberalise the country's notorious exchange rate regime, sell off some state enterprises and the Bosphorus Bridge, and drastically prune the tax system. One of his early plans is to reduce the extent to which taxes distort bank interest rates. He is strongly in favour of foreign investment.

In achieving this he will be helped by the strong executive powers the generals have laid down for the state. For instance, the rigid legislation controlling unionism will make it easier to impose a tough wages policy and prevent workers from clawing back the purchasing power they have lost in recent years—which could cause many of those who voted for him to find they pay a high price.

Tradition

His problems will be two-fold. In the first place the economy itself may prove less tractable than he believes, particularly as the problems of post-1980 austerity come further to the surface. Secondly, tradition in Turkey is a strong force.

The generals' three years in power saw bureaucracy increased rather than decreased as law after law was re-written.

In the last resort the generals opposed major shifts to reduce the role of the state in the economy. This is a point to be remembered by the private investor. For the concept of the free market economy is still young in Turkey. "Capitalism here is only three years old," says Mr Ali Kocman, president of Tusiad, the Turkish businessmen's association.

However, the country's potential is as great as ever and Mr Ozal's Government symbolises the desire of many to remove obstacles which, in the past, have delayed the country's development. For both Turkish and foreign firms the opportunities are there.

New era poses harsh challenges

Banking

DAVID TONGE

THE LAST two years have been the most difficult in recent Turkish banking history. The headlines have been caught by the bankruptcies of two cavalierish finance houses, Kastelli and Meban of the Trans-Turk group, and of three unorthodoxically managed small banks, Hisar, Istanbul and Odi.

But more serious are the problems the rest of the country's financial system has accepting the radical changes necessary if the banks are to come unscathed through their present troubles. The visitor is soon told how grave these troubles are. "We all believe that at least two prominent banks cannot collect interest or principal on at least 20 per cent of their loans," one normally restrained leading businessman tells visitors to his office. These are sombre words, but they should be seen in the Turkish rather than the European context. For local practice means that banks in Turkey operate under very different constraints and controls than those abroad.

One bank director, asked about the high levels of non-performing loans said to be on his books, countered that it was mainly a matter of how one categorised loans. "If we get promissory notes backed by accounts receivable instead of cash it does not mean we have to redefine the loan as non-performing," he said.

"If firms have cash flow problems, we have a responsibility to help them through."

Further, even if the loans were categorised as non-performing, the banks' accounts might look alarming, but most of the debt would eventually be recovered from the property usually required as a cover for bank credit.

That said, the problems of Turkey's banks and their customers are disturbing—and a reflection of the still reverberating consequences of the virtual freeing of interest rates in 1980.

That change, pushed through by Mr Turgut Ozal, winner of the October elections, marked the end of a golden era for the banks and their major clients. Previously, banks had been able to obtain funds at minimal cost from the public and lend them on to industrialists and traders at well below the inflation rate.

Suddenly the banks found themselves involved in a desperate auction for money with money brokers offering up to 100 per cent annual return. And businessmen, who had concerns financed almost totally with bank credits, overnight found themselves having to pay more than 20 per cent real interest rates for working capital: today the cost is 35-40 per cent in real terms and around 65-72 per cent in nominal terms.

Given that the economy has been going through a recession it is not surprising that so many businesses have run into trouble—and that these troubles are rubbing off on the banks.

In the view of Mr Ali Kocman, president of Tusiad, the Turkish businessmen's association, there was nothing wrong with the changes introduced by Mr Ozal three years ago and much of the fault lies with the banks' inadequate reaction to these.

Certainly, the present situation is a curious one. Each month the nine main banks come together and reach a "gentlemen's agreement" on what interest rates should be.

The first remarkable element of this agreement is that the rate offered to those opening time deposit accounts—up to 40 per cent for one-year deposits—is actually above the 32-34 per cent which the banks are allowed formally to charge on loans.

The next remarkable element is that even though the average cost of funds to the banks is between 25 and 26 per cent, the average amount they must charge to cover reserve requirements and all their expenses is at least 40 per cent — and to this must be added 10.2 per cent of tax and levy charged by the state.

By lending money at an overall cost to the customer of 50 per cent the banks are doing no more than making ends meet. Further, if the calculation is done for funds received at the margin and for which 40 per cent is paid, the cost to the customers has to be over 70 per cent.

Why do the banks not get together to improve the structure of interest rates? Bank directors who take part in the monthly meetings say that the problem is that the meeting, though theoretically free, is chaired by the state in the form of the central bank and controlled by the state since five of the nine banks present come under state ownership or influence.

Mr Kaya Erdem, the former Minister of Finance who has been helping Mr Ozal's economic team prepare for office, is keen to see these spreads fall and has been considering phasing out the 5.1 per cent of tax which customers have to pay per year on bank loans. This would be some help to businesses, but much can also be done by the banks themselves.

TURKEY'S BIG NINE BANKS

(bn lira, end 1982)

	Total assets	Total credits	Share hldgs.†	Profit in 1982	Main shareholder
Ziraat Bankasi (Agricultural Bank)	890	445	4	14.9	State
Turkiye Is.	784	406	18	4.7	State and bank's own pension fund
Akbank	400	159	24	1.5	Sabanci family
Yapi ve Kredi	298	125	9	0.5	Cukurova Holding
Pamukbank	154	67	4	0.3	Cukurova Holding
Turk Ticaret	100	47	1	0.5	State/Ercan Holding
Turk. Garanti	94	33	2	−2.6	Dogus Construction-Ayhan Sahenk
Anadolu	85	42	—	1.3	State
Uluslararasi Endustrisi ve Ticaret (Int.)	68	28	1	1.9	Cukurova Holding

† At cost.

One foreign bank has calculated that the operating cost of banks in Turkey amounted to 10.6 per cent of their risk assets in 1982—over four times the average of his own bank. Part of the reason has been excessive expenditure on advertising, and here at least banks have agreed to cut back.

Television—to the relief of viewers—has banned bank advertising. Mr Erol Sabanci, head of the thrusting Akbank, reckons that his advertising outlays in 1983 in real terms will be 60 per cent below the previous year's.

More important is the excessive number of branches operated by the banks and evident jostling cheek by jowl in any Turkish shopping centre. Pressure to close some of the commercial banks' branches has been increased by recent changes in the banking law.

The Ottoman Bank has just reduced its branch network from 113 to 108 and says a few other branches might close. But M Jacques Jeulin, its general manager in Turkey, expresses the traditional view of most bankers when he argues he is obliged to keep small branches to collect deposits.

Another banker says: "The name of the game is retail borrowing and wholesale lending. I have 600 branches but only make large loans at 10 of them." Mr Ayhan Sahenk, the contractor who has just taken control of the Turkiye Garanti Bankasi, is expected to trim the number of this bank's branches to stop losses.

There is obviously far more scope for savings here, for mergers, for computerisation and for cutting back on bureaucracy: often four signatures are required to cash a travellers cheque.

Overstaffing too is a problem, and has just been aggravated by a new law requiring banks to take on security guards. "I now have as many guards as bank staff in one province," complains one bank manager.

The urgency of the need to tackle such problems is increased by the problems many banks are having with their clients. A number of banks have lost on guarantees giver to Turkish contractors workin abroad. Others have been hi by the problems faced b medium- and smaller-size firms.

A very few have becom involved in dubious operatio causing better - establish bankers such as Mr Saban to see as a positive developme the Government's announ ment that both the manag and shareholders of Hisarba Istanbul Bank and Odibe would be subject to crim investigations.

This summer's changes in country's banking law designed to prevent such p tices and to prevent any g from taking undue advantag owning a bank. The cha are flawed, and may be mod by the new Government. in general existing laws considered adequate and stead the problems seem fold.

- That in the past laws been laxly applied and d external auditing has bee

- That the savings ratio in Turkey and money is to remain scarce, part since Mr Ozal is expe follow a tight money

- That the banks have adapt their operations consequences of the vir ing of interest rates o years ago.

All these problem become less critical economy were suddenl ahead. But, for now, tural problems of finance are one of th delaying such a recov

Public sector retains its grip

State Industries

DAVID BARCHARD

LEADING STATE ECONOMIC ENTERPRISES

Name	Line of business	1981 sales (TLm)
Ipras	Petroleum refining	506,602
TPAS	Petroleum production	338,182
TKI	Coal mining and marketing	92,533
TDC	Iron and steel production	80,811
Eregli Demir Ve Celik	Iron and steel production	75,568
Turkiye Seker Fabrikalari	Sugar production	85,328
Petkim Petrokimya	Petrochemicals, plastics	55,788
Seka Seluloz Ve Kagit	Paper and board	51,756
Cay Kurumu	Tea	47,173
Azot Sanayi	Nitrates and fertilizers	26,679
Et Ve Balik Kurumu	Meat and fish marketing	26,208
IGS Istanbul	Fertilizers	19,431
Petrol Ofisi	Petroleum marketing	17,076
Seydisehir Aluminum	Aluminium production	14,638
Turkiye Cimento Sanayii	Cement production	12,048
Karadeniz Bakir Islet	Copper production	10,216
Yem Sanayii	Animal foodstuffs	8,360

Note—Ranked according to size of production.

"THAT WHICH the individual cannot do, the state must undertake" is a seldom heard slogan in Turkey these days. Once it was the rationale which prompted successive governments in the 1930s and 1940s to set up the industrial corporations which as the State Economic Enterprises (SEEs) still account for about 46 per cent of the output of Turkish manufacturing.

Mr Ozal's declared intentions are uncompromising. "The state should not enter industry and commerce as a main principal," states a declaration by his Motherland Party. "Exceptionally, the state may establish industrial establishments in underdeveloped regions, but these should be turned over to the people as soon as possible."

There are a number of reasons why Mr Ozal may not find it easy to fulfil this election pledge. The first is that Turkey's state sector constitutes a powerful political constituency in itself.

A second reason is that the military, who remain powerful on the Turkish scene, view economics in terms of defence and believe in a large state sector. The supposedly free enterprise policies followed since 1980 have in fact seen the number of SEEs rising from 27 to 34. Targets of private sector criticism, such as the Petlas Tyre Corporation at Kirsehir (set up to make tyres for a future Turkish aircraft corporation), have not been abolished. Tumosan, the state motor corporation which Mr Ozal's Minister of Industry in 1981 was openly hoping to do away with, has been allowed to go ahead. Asilcelik, the Bursa-based special steels plant, has moved from the private sector to the public after going bankrupt.

The crisis in the banking sector has enlarged the role of the state. Government agencies such as the Ziraat (Agricultural) Bank have ended up with profitable industrial concerns in their control.

This is a reflection of the third reason why Ozal may find it hard to roll back the frontier of the public sector in Turkey. No one can be quite sure where that frontier lies. Apart from the classical SEEs there are a whole variety of hybrid organisations ranging from the Holding Company Oyak (the Armed Forces Mutual Benefit Fund) to ventures with a substantial amount of public participation in their capital (eg the Turkiye Is Bankasi, the telephone company Netas, 49 per cent owned by the Turkish Post Office, the motor corporation Tofas, in which the State supply Agency is a major shareholder, along with Koc and Fiat).

In the late 1970s the SEEs forced themselves on the attention of Turkish planners as a major drain on the Treasury. They were overmanned, badly managed, and usually operating at a substantial loss.

By abolishing subsidies to them and allowing them to make regular price adjustments, there has been a dramatic turnaround in the profitability—at least on paper — of the major SEEs.

At the same time, the SEEs are slimming down their workforce.

Last May, the Government went a step further with a statute reorganisation of the major SEEs intended to boost their profitability. There are still 12 different ministries with SEEs attached to them; 30 supervisory organisations (including 14 "kurums" or boards delegated to deal with industries in particular sectors); nine state banks; 111 wholly state-owned bodies engaged in activities ranging from textiles to opium poppy processing; and 56 "dependent ventures" in which the Government has a controlling interest.

The aim of the statute seems to have been to streamline the administration of these bodies. There was no hint of privatisation, and indeed Article 27 stipulates that if an SEE participates in a private sector investment, its share must never fall below 26 per cent.

In fact it is widely believed that even this modest degree of reform was only grudgingly pushed through after the World Bank had threatened to withhold credits.

Mr Ozal has made it clear enough that he would like to sell off many of the purely industrial SEEs and may be willing to allow private enterprise in sectors where at present it is barely tolerated: electricity generation and air transport, for example.

Not everyone is sure however that buyers will step forward. "I would not touch the Sumerbank's textile operations," says a leading private sector figure.

Equally Mr Ozal may find bureaucratic difficulties and perhaps military opposition to his plans. The major state agencies, such as Sumerbank, are after all part of Turkey's heritage from the Ataturkish 1930s.

The biggest questions surround the agricultural sector in which the state until recently monopolised virtually all marketing operations, had a substantial stake in the production of tractors, machinery, and equipment, and even made animal feeds and fertilisers.

Life to be tougher for firms in trouble

MR TURGUT OZAL, the new Prime Minister, intends to make life tough for industrial firms in trouble. He has always believed in allowing the odd bankruptcy "pour encourager les autres."

In his two years as the generals' Deputy Prime Minister he was prevented from allowing several firms to collapse. One of these would have been the large Guney textile plant but the armed forces insisted it was kept open.

Another plant kept open at the time, on national security grounds, was the speciality steels plant, Asilcelik. For some curious reason this found its way largely into the hands of the Agricultural Bank—and the same has happened to three business groups which Mr Ozal's rival, Mr Adnan Basar Kafaoglu, the last Minister of Finance, has just rescued, Hisar Bank, Istanbul Bankasi and Odibank. These had numerous industrial subsidiaries. Hisar Bank, for instance, owned most of the country's fruit juice industry.

How will the companies which have found their way into the hands of the Agricultural Bank be managed?

Mr Serhan Altinordu, General Secretary of the Bank, admits this is a problem, particularly since the Agricultural Bank is a state bank and has problems in recruiting the country's top managers. Some of the bank's key administrative staff have net take home pay equivalent to only £160 per month.

So will the bank sell off the industrial units it has inherited and concentrate on the purpose for which it was founded? The short answer is a qualified no. The longer one is that bank staff are now analysing each company but that those which are valuable to the economy and fit the bank's interests will be kept.

However, that too could change if Mr Ozal proceeds with his election promise of selling off state assets such as the Bosphorus Bridge.

D. T.

Costs soar as supply falls

Funds for industry

DAVID TONGE

THE TIGHTEST bottleneck for Turkish industrialists—and thus for any would-be foreign partner—is finance. "Funds here cost up to 70 per cent a year, a real interest rate of 35-40 per cent. Their volume is totally inadequate: I alone could use the total annual budget of the main bank set up specially to help Turkish industry," Mr Sakip Sabanci, head of the Sabanci group, says. "And the terms usually available are totally unsuitable. How can you build a factory with two-year money?"

The same point is made 300 yards along the Bosphorus Road from Mr Sabanci's headquarters by Mr Can Kirac, a key executive at the rival Koc group. He tells visitors that Koc would like to double the capacity of the Tofas works which it owns in conjunction with Fiat. It would be a $15-20m investment, but the group totally rules out the idea as long as interest costs remain at their present level and foreign exchange loans have to be serviced with continually increasing amounts of Turkish liras.

Striking

The overall problem is seen by Mr Sabanci as crucial to Turkey's future in the world. How, he asks, can the country's businessmen compete abroad when one of their key inputs is so dramatically more expensive than that of their competitors?

The present level of financing charges is so striking that in many ways it is surprising that industry survives at all. Detailing the present options for business only reinforces this point.

Stocks and shares

The stock market in Turkey is virtually moribund. The volume of shares outstanding is minimal and turnover negligible. A recent check on the exchange showed that in the previous seven days only 19 of the 50 main shares quoted had changed price at all.

"To buy or sell you virtually have to put your own advertisement in the newspaper," says Mr Gungor Uras, head of Atlantik Insurance. "The main function of the market seems to be to act as a place to register share ownership. We need proper stockbrokers from abroad to help."

Bonds

For a period this seemed to be the answer for Turkish business. Between 1979 and 1980 bonds issued jumped from TL5bn to TL18bn. But the progressive collapse of all the broking houses issuing the bonds, in particular Kastelli, has shaken public confidence.

At the same time firms find daunting the three months of formalities necessary to issue bonds. The coupon they have to offer to compete with bank accounts brings the cost of such funds to them to around 45-48 per cent.

Mr Gungor Uras: "We need proper stockbrokers from abroad to help"

Commercial bank credits

In theory these should cost them 42-44 per cent, but in practice normal credits run at 65-72 per cent. The best option available is export credit, which costs just over 30 per cent. But the amounts of such credits are limited, particularly where small business is concerned.

Local suppliers' credits

Major firms have been making a point of building up their liabilities to their suppliers—which of course only pushes the problem down the line.

Foreign credits

These are no longer the cheap option which they were in the 1970s when the Treasury guaranteed Turkish businessmen against the costs to them of the progressive collapse of the Turkish lira against the currencies in which they had borrowed.

Many firms have found themselves unable to survive after the government abruptly rescinded this guarantee in 1978. Most firms are now very chary of treading this path. The Turkish Industrial Development Bank has found it only possible to find takers for about one-half of the $100m World Bank loan made available 18 months ago to help Turkish industry with an export capability.

★

Specialised banks for industry exist, but so far remain small compared with the need. The TIDB, or, in Turkish, Turkiye Sinai Kalkinma Bankasi, is one of the four main banks set up to help Turkey's industrial development and from which funds can be obtained more cheaply than from the commercial banks. It has acted as the distributor for loans from the World Bank, the International Finance Corporation, the European Investment Bank, Paribas, and the West German, Norwegian, Finnish and U.S. governments.

It has equity participations in over 80 firms and at the end of last year had total assets of TL 106bn: its equity participations (TL 2.6bn) were valued at cost.

Last year it allocated TL 7.3bn ($40m) for new projects and plant expansions, $35m to rehabilitate three fertiliser plants, and TL 15bn to help some of the firms in which it has shares through financing difficulties.

The Industrial Investment and Credit Bank, Sinai Yatirim ve Kredi Bankasi, was set up in 1963 to act as a Turkish counterpart to the TIDB. It was to be financed with continuing contributions from the Turkish banks, but this never really happened so that it has remained a far smaller operation. At the end of last year its assets were one-tenth of TIDB's.

The other two banks in this area are the State Investment Bank, the Devlet Yatirim Bankasi, whose assets TL 228m as of December 31, 1982, are mainly made available to the state sector, and the State Industry and Workers' Investment Bank, Devlet Sanayi ve Isci Yatirim Bankasi, Desiyab, whose assets (TL 19bn) are also largely extended to the state sector. Desiyab's equity portfolio totalled TL 4bn at the end of last year, also being valued at cost.

So unsatisfactory is this overall situation that few people expect it to continue. Its acuteness is largely the result of one change—that in 1980 Turkey's firms were suddenly deprived of their traditional source of funds, bank credits usually obtained at negative real interest rates. The unleashing of bank interest rates by Mr Turgut Ozal, now Prime Minister, that year, caught both firms and the country's capital markets unprepared.

Firms have been slow to respond, not least because the change coincided with the icy grip of recession. However, gradually they have begun to adapt their debt profile to the new reality. "Sell your villas and put the money in your companies," Mr Ozal has been fond of telling businessmen.

Own resources

The experience of the Sabanci and Koc groups is an example of what is hapening throughout industry as firms realise they have to change their capital structure and rely less on borrowed money. Between 1981 and 1982 the Sabanci Group increased the ratio of its own resources (paid in capital and retained earnings) to current liabilities from 4 to a still low 10.8 per cent. It has since continued this process. The Koc group, whose figures are not directly comparable, has increased its ratios from 15.6 to 22.4 per cent.

Mr Kirac makes clear this is only a beginning: "Our main policy is to maintain profits and increase the own resources of the group. We must increase our capital and reserves. If the shareholders approve we will pay very low dividends this year."

Attempts to build up a formal capital market have been going on for two decades and more but, as one bank manager says, a market cannot be built by laws alone. In the meantime two changes are under way which might slightly help business.

The Ozal Government is seeking to reduce the tax element in today's interest spreads: this alone could bring the cost of funds to industry down by 5 per cent. It is also studying a law which would establish a fund to protect businessmen who borrow funds abroad from excessive fluctuations in Turkey's exchange rate.

But major subsidies are out and both moves are only a beginning. For Turkish finance and industry have yet to adapt to the end of the era of cheap credit on which most of today's fortunes are based.

Improving the supply of human and material resources available to industry is one of the main challenges facing the Ozal government. The position in key areas and opportunities for investors are analysed on this and the next page

Food products the best bet

Scope for investment

CHRISTIAN TYLER

"THE HORSE will act according to the rider." In other words, says Mr Nuh Kusculu, president of the Istanbul Chamber of Commerce, the lower echelons of the bureaucracy must be made to understand that foreign participation in Turkey's economy is now irrevocable policy.

The "open door" Law 6224 of 1954, stifled in practice by the bureaucracy, was liberated by decree in January 1980. That framework decree should now be translated into law, says Mr Kusculu, because foreigners are afraid that the decree may be rescinded.

Procedural difficulties are a fact of life for the foreign investor in Turkey, as in most developing countries. But the climate has changed, and the barometer seems set fair for the foreseeable future.

There has been a noticeable increase in foreign interest lately, according to Western embassies in Ankara. But investment, both domestic and foreign, is sluggish. Partly this is because companies are waiting to see what the new Government will bring, partly because inflation is marching upwards again (perhaps to 35 per cent this year), partly because high interest rates have strapped domestic concerns.

A major reason is that the pipeline of lira funds taken by creditors in settlement of non-guaranteed trade arrears is emptying. Foreign creditors could choose to accept lira payments instead of foreign currency on condition the lira were invested in Turkey: and many decided this "involuntary investment" solution was the least bad option on offer.

As might be expected, there is often a conflict between the interests of Turkey and the interests of foreign companies. Turkey wants capital, advanced technology, management skills and—above all—export-oriented industries. Foreign companies want, in the main, to make sales in a large and expanding market: the population of Turkey could reach 70m or 80m by the end of the century.

They do not necessarily see Turkey as a base for sales to third markets, especially if they are already selling to those markets. Some, again, want to invest in Turkey for "negative" reasons: they are afraid of being shut out in the future.

The most numerous overseas investors are the West Germans, and the Swiss, followed by the Americans. They are concentrated in chemicals, the motor industry, food and drink, and to some extent in textiles.

The Government makes clear in its "encouragement" tables where it wants the new capital to go. From the investor's point of view the best opportunities today appear to be in agricultural development, and associated industries like food processing. Certainly the Americans, anxious it seems to maximise economic as well as military relations, are actively responding here.

A recent mission of the U.S. Overseas Private Investment Corporation led by Mr Richard Lyng, Deputy Agriculture Secretary, may result in half a dozen new ventures in this field.

Despite official encouragement, tourism remains mysteriously unattractive, although some Arab interest is being shown. Foreign companies appear to see a better return in tour management rather than direct investment. Speculation inland around the resorts is another deterrent.

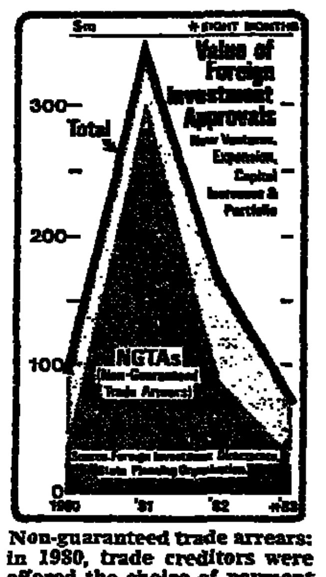
Turkey's rich mineral deposits are seen as an attractive longer term possibility. The door to foreign participation was opened further by a decree in August, but it remains to be seen how rapidly companies will be allowed to enter. One economist said that Turkey should see itself as exchanging natural resources for new technology.

Joint companies in Turkey have an active new lobby in the form of YASED, a 41-member organisation in Istanbul. Three years old. YASED was temporarily disbanded because of the military's laws against association, but is back in business with a few, admittedly modest, proposals. In particular it is campaigning for the right of foreigners to set up in commerce, trading and re-exporting.

Theoretically, companies can set up wholly-owned subsidiaries in Turkey. In practice a joint venture is usually recommended, and a Turkish agent is said to be indispensable.

Remittances appear to be flowing smoothly at present, but the currency exchange system is still regarded by foreigners as expensive and time consuming. Permissions are much more quickly obtained than in the past. But firms still complain of delays when major investments—subject to the scrutiny of the Council of Ministers—are involved and among the lower echelons of the Foreign Investment Directorate for smaller projects.

Ultimately, of course, no amount of legal changes or decrees will count so much as the commercial opportunities. "You open the door and keep the door open, and maybe some visitors will come in," says one industrialist. Turkish industry is hoping that Mr Ozal's Government signifies a permanent end to Turkey's traditional xenophobia.



Non-guaranteed trade arrears: in 1980, trade creditors were offered the choice of payment in foreign currency over an extended period, or in Turkish lira for investment in the country. A majority chose the lira option

LEADING TURKISH PRIVATE SECTOR GROUPS

Name	Line of business	Leading personality
Koc Holding	Automobiles, white goods, consumer durables	Vehbi Koc
Haci Omer Sabanci Holding	Textiles, tyres, banking, consumer durables	Sakip Sabanci
Eczacibasi Holding	Ceramics, medical and surgical equipment, industrial goods	Nejat Eczacibasi
Cukurova Holding	Heavy machinery, textiles, agricultural equipment	Mehmet Emin Karamehmet
Enka Holding	Contracting, marketing, tractors, pipes, industrial goods	Sarik Tara
Anadolu Endustri	Beer, automobiles, computer, marketing, aluminium	Kamil Yazici
Profilo Holding	Household goods, TVs, electrical machinery	Jak Kamhi
Alarko Holding	Chemical reactors, heavy industrial equipment, electrical and electronic machinery	Isak Alaton
Yasar Holding	Paints, dyes, processed foods, tourism	Selcuk Yasar
Ercan Holding	MAN trucks and diesel engines, textiles, paints, chemicals, buses	Tevfik Ercan
Bodur Holding	Ceramics, industrial equipment	Ibrahim Bodur
Tefken	Contracting	Nejat Akcaglilar

Energy shortfall likely to worsen

Raw materials

DAVID BARCHARD

WHEN FOREIGN companies are asked to list the major headaches of operating in Turkey "raw materials and energy" usually comes third on the list after "bureaucratic difficulties" and "high cost of funds."

There are two sides to the problem. Firstly Turkey does not produce enough energy and the shortfall looks like getting much worse over the next decade. Secondly the supply of most raw materials is largely in the hands of public sector producers established several decades ago and slow to adapt to changing economic practices.

Wherever possible firms have to purchase their raw materials from Turkish producers, though import licences will be granted when local supplies are not available. Permission is granted relatively easily for high technology items (though early in 1983 a temporary ban was slapped on private sector imports of computers) and possible exports are involved.

On the other hand, the bureaucracy and official regulations involved can be time-consuming.

Sometimes there may be a total ban on non-essential ingredients. Foods, confectionery, shampoos, sprays, perfumes for example usually have to be produced without relying on special imports.

As a result a Turkish product being manufactured under an international brandname may have fewer ingredients than it would do if it was being made in Europe. The difference may not be noticeable to Turkish consumers, but it is sufficient to ensure that the products concerned can only be sold in Third World markets.

The chief grumbles of the private sector however concentrate on the performance of the major State Economic Enterprises. Quality can be variable to low. Supplies may not be delivered on time. Sometimes they may not be delivered at all.

One firm (which asked not to be named) described how it would wait for up to two months for supplies from Petkim, the State Petrochemicals Corporation, only to learn that they were not going to be delivered. A further two months would then be needed to get the same supplies from abroad.

Delays

These delays—and the tendency of the State Economic Enterprises to make sudden swingeing price increases rather than gradual adjustments—mean that firms tend to hedge their bets and overstock on basic raw materials.

Prices in fact remain politically determined, though Mr Ozal will struggle hard to break this tradition.

Coal is handled by TKI, the coal authority, though some imports of coking coal are now being made on a regular basis. The iron and steel industry is largely though not entirely under state control. The Asilcelik special steels plant at Bursa, once hailed as the Turkish private sector's first foray into heavy industry, has been under state management for a year. The quality of Turkish iron and steel products is regarded as variable.

Chemicals are the province of the Turkish Kimya Sanayi Kurumu with nitrates, fertilizers, petrochemicals, and even a tyre factory coming under its wing.

Turkey's declining reserves of iron ore, crude oil and coking coal are forcing the gradual awareness that the old ideal of self-sufficiency in raw materials cannot continue unchanged. A more liberal imports policy will have to come sooner or later and would probably be one of the swiftest means of forcing the SEEs to mend their ways.

A further problem is geographical. Political and sometimes strategic reasons have led successive governments to set up SEE factories all over the country.

Private sector firms on the other hand are still concentrated around Istanbul, Izmir, Bursa and Ankara for the most part. Communications difficulties and transport delays are sometimes the result of this mismatch.

In energy supply, the generator has established itself as a feature of the Turkish industrial landscape in the past three years. Though the agonising powercuts which paralysed Turkey before 1981 do not occur at present (at one time home owners and factories alike had to live with daily cuts of up to four hours a day), there is still a substantial shortfall in energy production. Last year demand was 29,133m Kwh while production of electricity was only 26,551 mn KWh.

The deficit was met by a combination of powercuts and imports. In 1982 1,773 mn KWh of electricity was imported from the Soviet Union and Bulgaria. The 1983 figure is expected to be around 1,400 mn KWh, but will probably rise to 1,700 mn KWh in 1984.

The longer term outlook is dire. By the end of the 1990s, demand is expected to be around 200bn KWh annually and the shortage could be crippling Turkish industry before the end of the present decade.

This explains the enormous emphasis currently being given to the Euphrates Hydroelectrical Dams project and to the nuclear power programme.

The civil works contract for the Ataturk High Dam was awarded this autumn, going to a relatively unknown group of small Turkish contractors, now banded together in a new consortium "Ata-Insaat." But the financing for this project remains mysterious, as do the very much larger sums needed for Turkey's projected nuclear power stations at Akkuyu on the Mediterranean and at Sinop on the Black Sea.

Letters of intent were issued in early November to AECL (Kandu) of Canada, Kraftwerk Union of West Germany and to General Electric of the U.S. Financing of around $2.4bn is involved and even on the export credit arrangements already published it is hard to see how Turkey could find the foreign currency needed to go ahead.

But energy is now the priority public sector investment. The country has only a few years to find ways to avoid its approaching energy bottleneck. The efforts this autumn to push ahead with the Ataturk dam and the nuclear power-stations are signals that the Government is determined to do so, despite the cost.

Invitation goes out to prospectors

Oil

DAVID BARCHARD

ONE OF the new public sector authorities set up this year is Pet-Kur, the State Petroleum Board. Its formation (the members of the board have still to be named) was the second major event in 1983 showing the importance the Government gives to the petroleum industry and to the quest to boost Turkey's flagging output of crude oil.

The first major event was the enactment in the spring of a long awaited new Petroleum Law, intended to encourage foreign companies to come in and prospect.

The need for new prospecting is obvious. Turkey's major oil fields are between 20 and 40 years old and close to exhaustion. Production is dropping each year. A decade ago, local production of crude was equivalent to about 40 per cent of consumption. Today the figure has dropped to 13 per cent. Though crude production has been around the 2m tonnes mark annually, there have been unmistakeable signs of a tapering off.

Imports of crude made up $3.8bn of Turkey's $8.8bn total imports in 1982.

The trouble is that the geological prospects for a major oil strike in Turkey do not look terribly strong and at present the oil industry is in recession throughout the Middle East. The major Turkish oil wells yield a heavy sulphurous crude which is not very attractive on international markets.

No one expects Turkey to become a second Kuwait or Libya. But as Ismail Kafescioglu, the head of the state petroleum company TPAS (until the recent reorganisation, known as TPAO) points out, though Turkey's cretaceous geological levels have been broken up through mountain building.

"There have been only 18 drillings to date in the Tuz Golu (Salt Lake) area," says Mr Kafescioglu. "But the deeper levels there are covered by 15,000 feet of sediment and these are the strata that are the most productive ones in the Middle East."

The 1983 Petroleum Law steps up incentives for foreign companies to come into Turkey and prospect. Some 35 per cent of land and 45 per cent of offshore finds may be exported. These and other incentives may well be raised by the Ozal Government and Turkish officials dismiss claims that the incentives are not very attractive to firms already operating in Turkey.

Seventeen companies are currently drilling in the country, the most active by common consent being Huffco. But rewards have not been spectacular. Petrorama, the prospecting company of the Koc Group, is now officially described by senior Koc officials as a "sleeping company." Transturk's petroleum prospecting subsidiary has also run out of funds.

Disappointing finds

TPAS currently has seven prospecting partners, mostly from the U.S., and hopes to be able to attract more in the next few months. Mr Kafescioglu is planning three trips to the U.S. to talk to firms and his time is already fully booked up for his next trip. After that, he plans visits to Western Europe.

The disappointing finds of recent years do not ruffle his composure. "One thousand and eight hundred wells have been drilled so far in Turkey, while they drill 20,000 holes annually in Texas," he says.

Offshore activity, in the Bay of Iskenderun and along the Black Sea Coast looks particularly promising. Inland, the Tuz Golu region looks hopeful for natural gas.

The Ozal administration may press ahead with the prospecting ventures. It will also probably set up a petroleum trading company. But its biggest headache may be over Turkey's refining industry where a substantial measure of overcapacity now looks inevitable.

By the end of the decade, after Turkey's fifth refinery at Kirikkale has come on stream and enlargements of existing plants have been completed, capacity could well be above the 30m tonnes mark.

By contrast, demand may not be far above 18m or 19m tonnes a year. The planners of the early 1970s, who failed to foresee the oil slump and reduced demand in Turkey, have set a major problem for the economic manager of the late 1980s.

Men who defied the conventional wisdom

Founding fathers

DAVID BARCHARD

ALMOST everyone who knows about Turkish industrialists has heard the story of Vehbi Koc, the grand old man of the Koc group, and his childhood in pre-World War I Ankara. But how many other business biographies in Turkish life remain to be told.

Emin Hattat, for example, the founder of the Kayseri-based Hattat/Hema group, went into business in the late 1940s by starting up a road contracting company when he was only a 15-year old schoolboy. Finding business more profitable than studying he turned a summer job into the foundation of an industrial empire.

Even where the stories are less colourful, they almost begin in the same way with one or two young men opening up single-room offices in the 1940s or 1950s and end in the board-rooms of corporations, the names of which are becoming widely known abroad.

It has to be remembered that the first Turkish industrialists were defying the conventional wisdom. They were coming from a country with little or no business class (Vehbi Koc was attracted to the idea of commerce because he noticed that his trading non-Turkish Christian neighbours had more money than his parents to buy their children donkeys to ride). Although men such as Sarik Tara and Sadi Gulcelik, the founders of Enka and many other first generation businessmen were graduates of Istanbul's Technical University (then the country's best—subsequently pushed into third place by Ankara's Middle East Technical University and the University of the Bosphorus) a more conventional career would have taken them into government.

Suleyman Demirel, six times Turkey's Prime Minister, got to the top after a successful civil service career. People of his generation did not even consider the private sector.

Because of the relatively short time-scale involved most major Turkish groups are still family affairs. "It's hard to trust anyone in business outside the family," says a director of an Ankara-based construction company who admits he would not be holding his present position if he had not married the founder's daughter.

"I am the number one man outside the family," is the proudest boast many Turkish executives ever hope to make.

But the rapid diversification of the major Turkish groups and the need for more training and talent means that some of the second generation of Turkish family businesses are already having to choose between lagging in the race for markets and adopting a more impersonal corporate style.

Compromise

Some businesses try to compromise. Gama, an Ankara-based engineering company has more than a dozen founders and is not dominated by a single individual or family. "We call Mr Erimtan (the group's chairman) "Abi—big brother—and we really mean it," says a Gama executive, "because although we are not actually a family, we work together as if were one."

In part this is because of the recruiting techniques of the major Turkish groups which like to choose their future top managerial talent as young as possible. While there is relatively little commitment between unskilled labourers and their employers in Turkey (though some groups aspire to develop a Japanese-style company loyalty in their workers), the picture is different for managers.

"We take only people in their early 20s and we try to keep the average age of our young managers down to about 26," says a leading marketing company. "We look for excellence. They have to be bilingual. We'll give them the rewards they deserve. If they want, by the time they are in their thirties they can be general managers of companies."

His words are echoed by Altinyildiz's Fethi Agalar who is himself heading one of Turkey's most dynamic groups at the age of 31. In the electronics industry, Hacim Kamoy of Aselsan says the same thing. "I set up the company and I am the only old man around here. We don't have anyone apart from me over 35."

Nevertheless, voices can be heard sometimes asking whether or not there may not eventually arise a conflict between the whizz kids who do most of the work in the major groups and the families, once the dynamic founder-member generation starts to die off.

"There is bound to be a succession problem eventually," says one Istanbul executive, "but it will be softened by two things. First, most groups are already making their ablest managerial staff into shareholders. Secondly, the days are passing when funds can be raised simply from private sources.

"Firms are going to need more and more capital open to the public. That means that a Turkish general manager's report, which at present is very often simply a kind of fiction because the man is also the majority shareholder he is reporting to, one day will start to become the real thing."

Long-term risks

Other businessmen think there could be long-term risks in the present cult of youthfulness in the business world. "These people aren't going to die off or leave business at 40," says one economist. "Things could be top heavy for a generation."

He points to what he says is the unsatisfactory experience of many foreign companies entering Turkey in the 1960s.

"They appointed bright young university graduates then and the same people have sat on their jobs for a generation and are now dull and middle-aged. It's a real management problem easing them out and getting better ones in."

For the moment, however, such anxieties are not often heard. The ageing captains of industry and their youthful executives both feel they have the bit between their teeth.

Three generations of Turkish business: Mr Vehbi Koc (left) has grown with the Turkish Republic, turning an Anatolian grocery into an industrial and trading group with sales of around $2bn (unconsolidated) in 1982. Mr Sakip Sabanci (centre) represents the second generation, a son who has kept building forcefully on his father's success; his group matches Koc's. Mr Ayhan Sahenk (right) symbolises a new force, the contractors who have grown rich in the Middle East and are now expanding into industry. He has just bought out Koc and Sabanci interests in Turkiye Garanti Bankasi.

Search for professional managers intensifies

Management

CHRISTIAN TYLER

FRESH CAPITAL and affordable credit are certainly needed to keep the modernisation of Turkish industry going. But in the eyes of many businessmen professional management is even more important.

The lack of professional, industrial managers is increasingly felt as Turkey tries to become internationally competitive in those sectors like agriculture, textile and tourism where it has natural advantages. "The *belle epoque* of monopoly and protection is over," says one senior industrialist, Mr Ali Kocman of Koctug. "But it is not easy for people to forget and some changes of mentality are still needed."

Traditionally the private sector has drawn its managers from public administration or the state enterprises. And while domestic market monopolies reigned and industry was entirely protected from external competition profit was almost guaranteed and modern management skills were superfluous. Recruits from the state sector have too often brought with them their own bureaucratic culture, in which buck-passing and deference are the natural order of things. One former state enterprise official, it is said, never once visited his new employer's shopfloor.

The result is that even today, according to one export manager, only five or 10 Turkish companies could claim to have West European management standards.

But Turks are proud of their adaptability and native shrewdness, and few doubt that with the right incentive and training a new generation of professionals can quickly be created.

In the long run, says the head of a successful textile group, it will be practical exposure to Western competition that generates the expertise. But in the short run education is the problem.

There are a number of business schools in the regions, but they lack qualified staff. The best facility in Turkey is at Bosphorus University in Istanbul, formerly the American Robert College.

Some of the export-oriented companies are learning how to convert their technicians—of whom there seems no shortage—into general managers. A number of Turkish families send their sons and daughters to the U.S. or to West Europe to study business administration.

But the private sector still feels the need of a more systematic approach inside the country, especially for the retraining of technically-qualified employees for promotion into "staff" positions.

Only domestic institutions, it is argued, can successfully build on the Turkish school education and relate Western techniques to the needs of Turkish industry.

Management seminars, run by native or foreign concerns, have become suddenly popular but are scarcely a substitute for permanent training establishments. "They are just fashion shows," according to Mr Fethi Agalar, chief executive of the Altinyildiz textile and clothing group.

Foreign companies in Turkey have set an example—unpopular though that example may sometimes be. The chairman of Unilever in Turkey, Mr Melih Yildizlar, says: "Unilever is management." His company, long established in the country, recently bought out its Turkish partner in an ailing concern and with new management claims to have turned a loss into a profit in one year.

"In the last three years local tycoons have understood how to manage their businesses. I'm not saying they are ready to compete with the EEC, but they have come a long way.

New investors in the country are still wary, however, and — despite the still strict control of work permits for foreigners and a residual bias against them in some sectors — often regard management control of a joint venture as more important than financial control.

Unions tied hand and foot

Labour

DAVID TONGE

LABOUR relations were a nightmare for most firms before the 1980 coup. It seems unlikely they will be so again for at least another five years. Since the generals seized power in 1980 the balance between employer and worker has totally changed. The radical union confederation, Disk, has been closed down, its leaders tortured, and a trial accusing them of trying to overthrow the state drags on under conditions which deeply disturb most foreign observers.

Now all formal union activity comes under the umbrella of the moderate Turk Is confederation. The visitor to its Istanbul office is greeted by the slogan "rights are not given. They are won." But Turk Is is a muffled, muzzled body.

The generals have just tied Turkey's union movement, hand and foot. Unions are forbidden from giving or receiving support from political parties. Strikes are strictly circumscribed and may not be "prejudicial to the principle of good will, to the detriment of society or damage national wealth." The Government can impose cooling off periods of 90 days, followed by compulsory arbitration. Labour go-slows are prohibited, as is picketing.

Even if the present Government wished to change these provisions—and it does not—it would also have to change the constitution: this sets out in detail what labour laws must contain. The position of would-be unionists is thus worse than in any country in non-Communist Europe. It is made worse by the disarray following the closing of unions affilated to Disk and the problems workers have in setting up new unions. To take part in collective bargaining a union must not only have 51 per cent of the workers in a factory but also 10 per cent of the workers in that overall sector of activity.

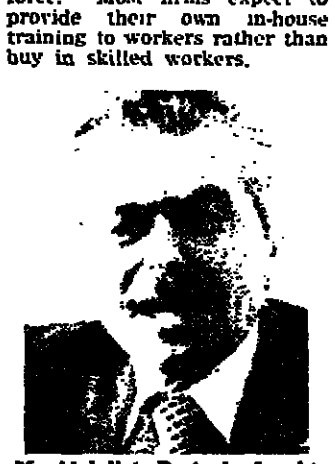
Certainly the situation was chaotic before. Employers found themselves having to pay a host of items dating back to the period when a new worker would probably not even have shoes of his own. Severance pay had reached the stage where in some cases a firm's liabilities for this item alone exceeded its net worth. It is this which makes men such as Mr Sakip Sabanci, head of the Sabanci group, argue today's laws are much better.

One consequence of the laws is that they will delay the time before union pressure is really felt by employers. Workers have seen their real take home pay fall by around 40 per cent in the past five years.

At the same time collective bargaining will in any case not be the norm for at least a year. Since September 1980 wages have been established by a central tribunal. According to last summer's labour laws, factory union branches should start collective bargaining for 1984 from February. But in practice the tribunal has been giving three-year settlements. Around half the country's workers cannot expect to start wage negotiations until late 1985.

Particularly serious is the plight of the workers employed by some companies which have gone bankrupt and then been rescued by banks and government. In many cases workers have not received any pay since the spring, but cannot change jobs jeopardising their social security rights.

The investor setting up in Turkey will find staff available if he shops around. There is plentiful unskilled labour. Unemployment now averages around 18 per cent of the labour force. Most firms expect to provide their own in-house training to workers rather than buy in skilled workers.



Mr Abdullah Basturk: fought communist influence in the radical Disk confederation and is now on trial for his life for communist activity

The Government is considering tax reforms. There are also plans to establish free trade zones and liberalise import restrictions. These issues, together with the rich regional variety of the country, are considered on this and the following page

Further reforms expected

Taxation

DAVID BARCHARD

LIKE OTHER areas of government, Turkey's taxation system is struggling to adjust itself to the needs of the late twentieth century. A major overhaul nearly two years ago is probably a stage along the way rather than the final destination. Mr Ozal's plans for the economy are likely to include further tax reforms.

Like many developing countries, where tax revenues make up only a small percentage of GNP (about 15 per cent in 1982), Turkey's tax system has for years been weakly administered and distributed its burden unfairly. For political reasons most of agriculture has generally been lightly taxed. High indirect taxes combined with heavy taxation for salaried (particularly government employees) have been the order of the day.

Rates of personal taxation are still very high by Western standards. An executive earning $25,000 a year in Turkey would pay about 60 per cent of his income in tax. Even people earning the minimum wage of TL 16,250 ($60) a month pay the minimum rate of 35 per cent of this in income tax. However, the burden is being gradually lowered.

Today's rates are considerably less punitive than they were several years ago and next year *the basic rate* will fall to 30 per cent. A fiscal balancing tax, once 3 per cent, will drop to zero next year.

The basic tax on corporate *profits* is 40 per cent, but foreign shareholders pay a further 20 per cent withholding tax on profits distributed to them. This is one of several indications of a degree of discrimination against foreigners in the system.

In order to avoid liability on worldwide income, foreign companies must be either limited companies or joint-stock corporations.

Difficulties over depreciation and the revaluation of assets were resolved last year when the Government passed a decree on asset valuation, allowing businesses to bring the book value of their fixtures into line with inflation.

There are two methods of calculating depreciation: the straight-line method and the declining balance method, but the former is used much more widely. Industrial buildings are allowed a 4 per cent annual depreciation rate, while for land improvement the figure rises to 5 per cent and for electrical, water and steam installations it goes up to 20 per cent.

Rates for machinery and equipment are between 6 per cent and 20 per cent and for vehicles 5 per cent and 20 per cent. These rates are doubled (with a ceiling of 25 per cent) for the declining balance method.

There is no separate tax on *capital gains. Proceeds from* selling buildings, or machinery or shares are taxed as company income.

One tax which the Ozal *Government may look hard at is* the 15 per cent service tax on banking and insurance operations, regarded as one of the major reasons why the cost of money to borrowers in Turkey is high.

Interest payments are also subject to a 20 per cent withholding tax and interest payments remitted abroad incur a total of 30 per cent in tax. Payments on royalties and fees to foreign licensers are taxed at 35 per cent and 30 per cent each.

Other taxes which affect industry are production taxes, consumption taxes, and operation and sales taxes. The former affects imports and some manufactured goods, and exported products are usually exempt. However rates can be quite high where the tax is levied: 75 per cent for jewellery and some cosmetics and luxury items; 30 per cent for non-ferrous metals; 25 per cent for plastics, natural and synthetic fibres, and some yarns. For basic inputs much as cement, chemicals, and iron and steel products, production tax runs at around 12.5 per cent.

Operations and sales taxes run at 3 per cent and affect restaurants, bars, hotels and cafes. However, some goods are also liable for the tax too. These include some vehicle spare parts, tyres, cosmetics, furs, television and video sets, jewellery, silverware and furniture.

The consumption tax is for state monopoly products and motor vehicles, motorboats, and yachts. Beer, sugar, matches (but not cigarettes) are covered *by this tax.*

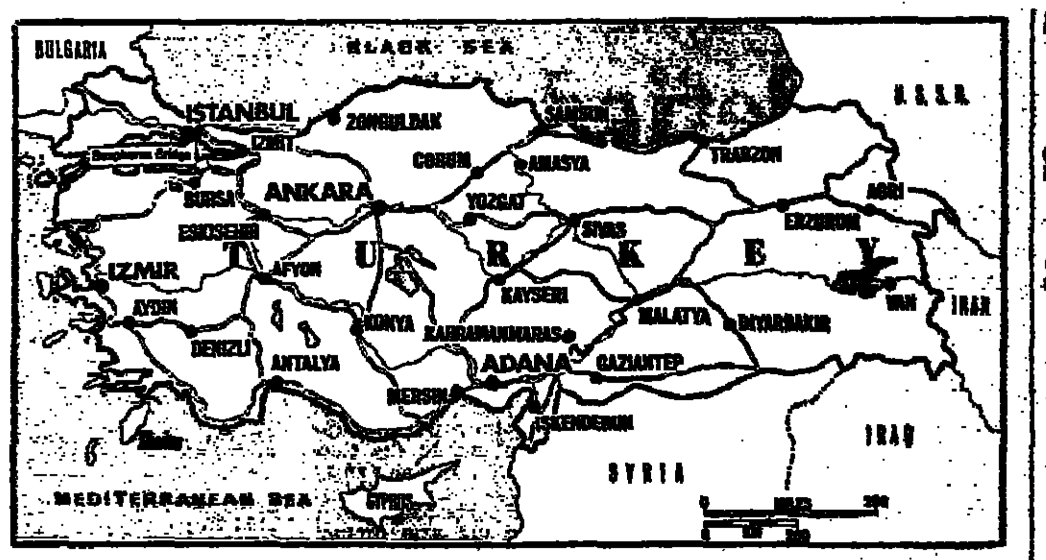
Because of Turkey's stated intention to join the European Community there has been talk for several years of introducing a value-added *tax (VAT). However* it would seem that no serious work has yet been carried out on this by the finance ministry.

The dates for the *introduction* of the tax have been postponed on each occasion as they have approached but official thinking is that the tax might be introduced in 1985. If it is rates will probably be set at between 9 per cent and 13 per cent and the production, consumption, and operation and sales taxes will be abolished.

For large companies there is no doubt that Ministry of Finance is thorough.

Companies are traditionally advised that to show a loss rather than a small profit will attract the attention of the inspectors. However, auditing of the kind required in the West is as yet little known in Turkey and many problems of definition often have to be resolved by discussion.

As far as companies are concerned, conditions invariably get much easier if exports are involved. Interest rates tumble and tax rebates abound, though the formalities involved may be complex and slow.



Incentive scheme boosts Anatolia

Regional development

DAVID BARCHARD

LIKE OTHER industrialising Mediterranean countries, such as Spain and Italy, economic development in Turkey has brought serious regional disparities in tow. Most private sector industry is still concentrated in or around Istanbul, a city whose inhabitants pay about 65 per cent of the country's income tax.

At the opposite end of the scale, provinces like Van, Agri and Diyarbakir are socially and economically decades behind the west of the country. There is little or no private industry. Unemployment is far above the notional national average of 20 per cent. Poverty of the kind sometimes seen in the Indian subcontinent strikes the visitor's eye almost as soon as he arrives.

The contrast of these two extremes should not obscure the fact that in the 1980s, Turkey's industrial map is becoming increasingly complex and multicentred. Izmir, Ankara and Adana have emerged as major industrial business centres alongside Istanbul. New industrial projects are being set up all over the west of the country. Even along the Black Sea coast, business is thriving even if most of it is geared to the domestic trading market.

An industrialist's airy dismissal of the economy of the hinterland—"There is no one out there"—to this correspondent is misleading.

Since the 1960s government has been operating an incentives scheme designed to encourage industry to shift away from the metropolis and to open up Anatolia. It has been only partially successful. The infrastructural problems of operating far away from established centres have more than offset the loss of incentives for many firms. Some patent absurdities have resulted.

Turkey's largest gear and transmission factory, opened in 1982, for example is situated in the wild Anatolian countryside, just over the 40 kilometre boundary imposed by government planners for incentives. In order to have good telephone communications with the capital, the firm had to spend $7,500 each on two special lines tied into the Ankara exchange system.

Infrastructural problems have not prevented concentrations of industry growing up in the Cukurova region around Adana and Mersin, in the Aegean around Izmir, and around the western cities of Bursa (home of much of the Turkish motor industry) and Eskisehir. Elsewhere the mining *town of* Zonguldak on the Black Sea has become another industrial node point.

The fact remains, however, that most of the older industry in Anatolia was placed there by the state, usually in response either to strategic needs (Turkey's first iron and steel mill in the 1940s was located at the obscure town of Karabuk far away from both iron and coal supplies, so as to make it difficult for a possible invader to reach) or to political demands.

A typical Anatolian enterprise is thus either a very small scale local producer who employs less than a workforce of 10 or a State Economic Enterprise, likely to be operating inefficiently. This picture has begun to change however in recent years. The Hema Group set up one of Turkey's major tractor plants at Kayseri and Burtrak have followed suit with a second tractor plant located near Burdur in the south west.

The major difficulty however remains recruiting management and workers for jobs outside Istanbul and other major cities. State economic enterprises have traditionally offered expensive lodging and recreation facilities to their employers in the provinces. Private companies can hardly match these.

This picture could alter if the Ozal Government goes ahead with plans to encourage more investment in the east and offers more general incentives for public servants to work there.

Until now Turkey has in practice eschewed integrated area development schemes, arguing that national development should be spread nationally.

Various regions have attempted to assert themselves against the dominance of the business capital of Istanbul. A generation of "social democrat" industrialists arose in Eskisehir in the early 1970s, urging the claims of the smaller Anatolian factory owners. In a different way, the Adana region also pressed hard against the Istanbul business world during the boom years for the Turkish textile industry.

The end result however was rather disapointing. Businessmen such as Eczacibasi of Izmir and Sabanci and Karamehmet of the Cukurova ended up by decamping to Istanbul.

The older generation of smaller Anatolian traders throughout the country are being replaced by recognisably modern businessmen, although in the more far-flung regions the private sector is still confined entirely to trade.

Television and communications are beginning to bridge the gap—cultural and psychological as well as economic—between Istanbul and the provinces. Migration has brought much of the population of Anatolia into Istanbul. The next generation may see major private sector development being taken back to the more prosperous parts of Anatolia.

However, the crippling poverty of much of the central and eastern regions is likely to remain a major social problem for successive governments.

In the longer run, the development of the regions in Turkey can only be successfully accomplished when Turkey's provincial cities become an environment in which successful middle class people want to live. That may be at least another generation away.

A dream coming true

Free trade zones

DAVID BARCHARD

FREE TRADE ZONES, a distant dream for many Turkish private sector businessmen since the 1920s, could become a reality in 1984 and are certain to do so within the next few years.

Few other decisions taken since 1980 have been so unwelcome to the entrenched bureaucracy in Ankara with its narrow view of sovereignty and emphasis on the right to exact high tariffs on all goods coming into the country. The fact that free trade zones now look like being accepted as something relatively uncontroversial when they do appear signals a major shift of public attitudes.

Much of the credit for this goes to President Kenan Evren who was converted to the idea of free trade zones during a trip to South Korea in December 1982.

Even so it has taken a year to overcome a series of bureaucratic obstacles, set up the administration involved, and select the first two sites.

Turkish planners, headed by the outgoing Minister of State, Mr Sermet Refik Pasin, say that the country will eventually have up to six free trade zones and that both trading and manufacturing zones will be established. The *initial* two zones were announced on November 13 and are to be at Mersin and Antalya, both Mediterranean ports.

There was some eye-brow *raising that the decision on the* sites should have been taken by the outgoing government, exactly a week after the general elections had been held. However, *spokesman for the Motherland* Party say they have no objection to the plans. "If anything, we shall expand the existing proposals," says a party *official.*

The Antalya site is likely to be related to activities in the construction sector and there have been persistent reports that some South Korean firms may be among the first to set up there.

The choice of Antalya surprised some observers. The harbour there is *fairly small and* the town is the heart of Turkey's tourism industry and thus not an obvious candidate for industrial development. It is also fairly remote.

The choice of Mersin had looked likely from the beginning. Mersin's business community has been lobbying for the establishment of a free port in the town for a decade.

"We are an area of calm right next to a troubled but rich region," says a Mersin businessman, Mr Orhan Sulayici. "This is an ideal spot for transit trade through to the Middle East."

Meanwhile Turkey's bureaucracy is grappling with the administrative problems of setting-up and running the zones. A new chain of command placing overall responsibility for the zones in the hands of a single official has been created.

The next step, expected to go ahead very shortly, will be to fence off the sites and start the work of building up infrastructure and services.

The Turkish civil service, conscious that it is setting a precedent, is moving slowly. Many businessmen feel that things could have proceeded faster. For state officials, however, a major aim is to ensure that smuggling and other crimes do not become endemic in the zones.

No announcements have been made yet about which firms will be setting-up in the zones or on what terms, but regulations to deal with these and the further problems involved are expected in early January.

Take-off slow but agents bullish

Advertising

DAVID BARCHARD

THE TURKISH advertising industry is one of the major beneficiaries from Mr Ozal's 1980 economic reforms. Until that year, Turkey's business life had been shaped by a constant excess of demand over supply. Sales promotion, like consumer protection, was something to which companies did not have to devote much thought.

With the pressure on to seek export markets and with demand now chronically depressed at home, attitudes to both advertising and marketing are changing: but perhaps not as fast as might be expected. In 1982 total spending in Turkey on advertising was TL 26,500m, or just under $1m. The figure was equivalent to 0.03 per cent of GNP.

"The problem is that firms simply do not see advertising as a necessary form of investment," says the vice-president of one of Turkey's biggest advertising agencies. "When times get tough for a firm, the first thing they cut back on is their spending on advertising."

His point is strikingly illustrated by one of the fastest-growing new industries in Turkey: processed foods. As, one by one, Turkish equivalents of Western foods have come on to the local market, none of them has been given the intensive advertising publicity which greets a new product in Western markets.

The rapid growth of the retail food market would probably have been much faster if advertising had explained to housewives just what cornflakes are and how to eat them, or what are the merits of lasagne.

The last three years, however, have seen a major expansion in the activities of the major Turkish advertising companies: MAN Ajans, Gen Ajans, Ajans ADA; Pars McCann, and Repro.

There are those who think that the Turkish advertising industry has been slow to advertise itself. Why else, they argue, is Turkish industry so unaware of the importance of advertisements in promoting new products?

This lack of awareness does not seem to be shared by the new generation of Turkish political parties. MAN Ajans *this year won a TL 100m contract* from Mr Turgut Ozal's Motherland Party to handle its advertising campaign.

One offshoot of this was an extensive newspaper campaign. Another was the use of videocassettes for the first time in an election. Nearly 500 cassettes were prepared and set out to be viewed in coffee houses all across the country.

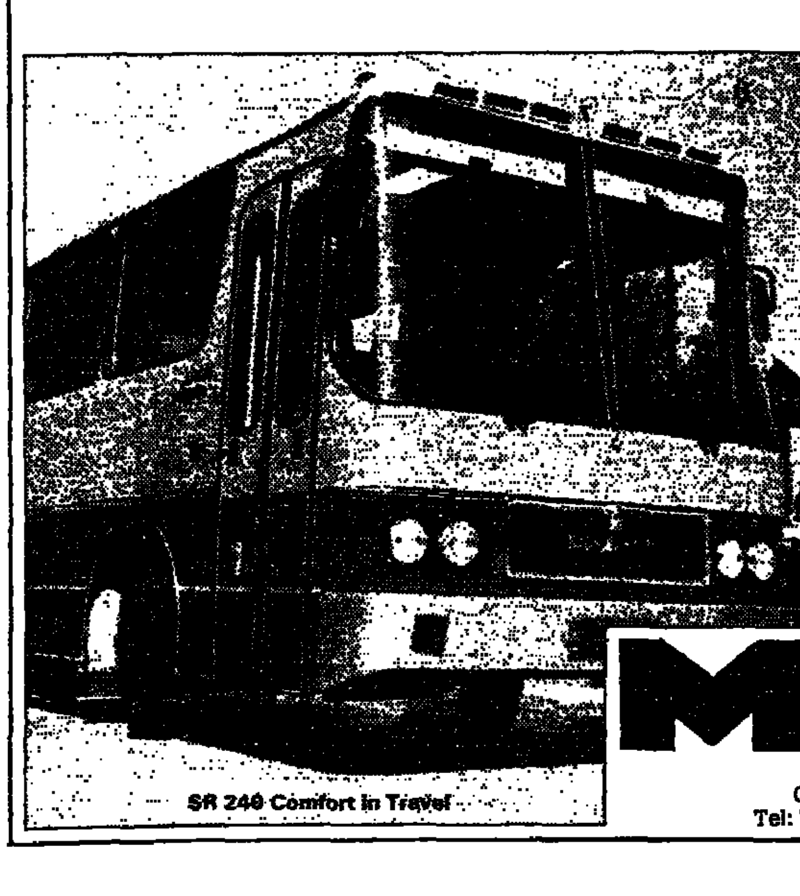
The Nationalist Democracy Party of General Turgut Sunalp also tried its hand at advertising services, but its American-style majorettes and costumed roosters (the party symbol) seem to have gone down badly with Turkish voters, and the party came in a poor third.

Most major advertising agents in Turkey are now in a bullish mood. The days when advertising meant collecting small notices for newspapers are over. The internationalisation of the Turkish economy since 1980 has brought windfalls for the major companies, handling accounts for successive Western publications putting out supplements on Turkey.

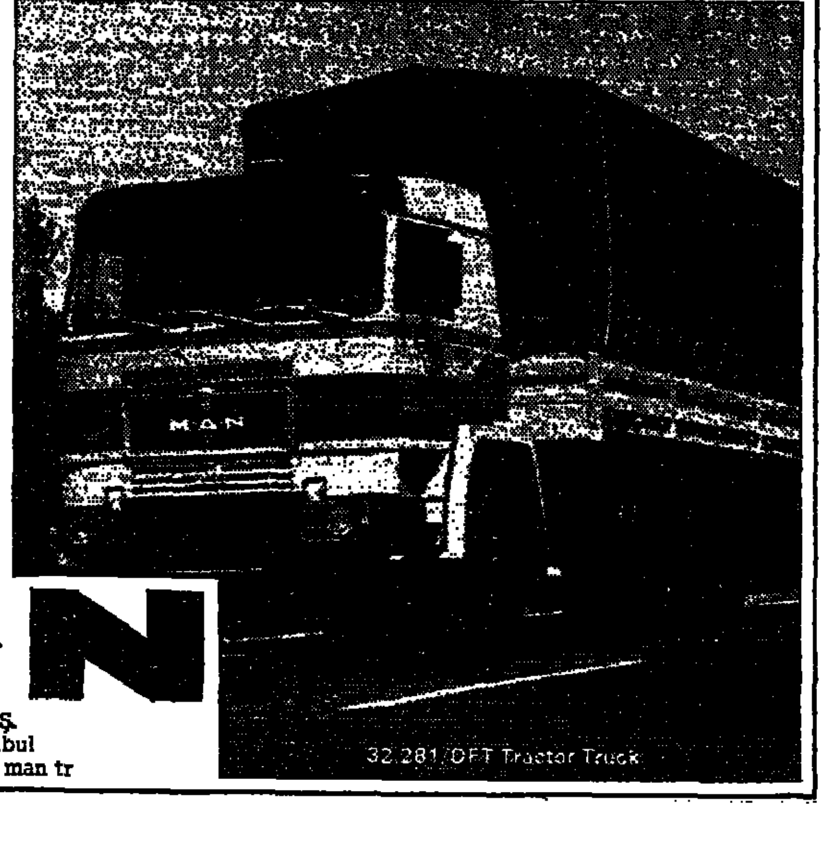
The marketing picture is more varied. Firms tend to set up their own marketing operations and as yet usually draw on their own staff who have probably not been trained for the operation. Inside Turkey there is relatively little vertical integration: the major groups handle their own marketing operations.

Market research is gradually developing, but many new products are put on the market with relatively little serious attention to likely demand.

Export marketing operations are also expanding rapidly and some banks (notably the Pamukbank) are beginning to offer sophisticated services to the major groups. But as yet, personal experience and contacts, reliance on the world's economic press, and attendance at as many international business gatherings as possible, dominate the ways in which many firms make contact with potential new customers and find out what they want.



SR 240 Comfort in Travel



32.281 DFT Tractor Truck

Compromise shaping up over trade

The EEC

CHRISTIAN TYLER

PERHAPS IT was a portent of the coming round in Turkey's long-running battle with the European Community. In July, Mr Turgut Ozal, then a prime ministerial candidate, commandeered the Ankara offices that the EEC delegation had chosen for themselves. His jocular reply to their protests was simply: "This is Turkey."

Relations with EEC were already bad before the Turkish Cypriots declared UDI last month; and yet that move, quickly supported by the Turkish Government, appears to have passed by relatively smoothly. Greece's unpopularity in the Commission has worked in Turkey's favour, according to diplomats in Ankara.

Yet there are serious continuing tensions between Turkey and some EEC states, especially France, and the 600m ECU aid under the fourth financial protocol remains blocked because of Turkey's bad record on human rights.

(The country meanwhile faces possibly eventual expulsion from the Council of Europe for the same reason.)

While Britain and West Germany would like to see the EEC aid conduit reopened now that civilian rule has ostensibly been restored, commercial relations are still strained indeed.

France, protagonst on the human rights issue, has seen her exports to Turkey fall dramatically as the Turkish Government takes its business elsewhere. Even West Germany is complaining that a 1923 reciprocity agreement giving access to German nationals has been eroded, while the Turks in turn are upset about West Germany's clampdown on the immigration of Gästarbeiter.

As for the serious human rights complaint, there is no sign that Mr Ozal intends to move very far or fast with legislation to restore political, trade union and press freedom in Turkey, or indeed that he is much impressed by the threat of being denied the blocked EEC funds.

But on the narrower issue of trade, particularly the battle over Turkey's textile exports, some kind of compromise may be shaping up. Textile producers, having failed to make headway in their recent direct negotiations with the Commission in Brussels, have now asked Mr Ozal to pursue the issue at government level as the EEC insisted they should.

Some diplomats in Ankara maintain that trade relations could be mended with a form of words that reflects the real, as opposed to the official, position. In other words, Brussels would have tacitly to recognise that EEC monitoring of quotas is ineffective and that West Europeans companies are conspiring to defeat the blockades that their governments set up.

Import surges have again this year caused the shutters to close. MEPA, a trading house which claims to be Turkey's largest exporter of textiles, says T-shirts were stopped in July and trousers in August. France declared its shirt quota full (a big order was successfully diverted to the U.S.), and almost all EEC countries with the exception of West Germany had called a halt on cotton yarn. There are rumours that even West Germany is about to shut its doors.

"If France cuts imports of gloves, it's headlines here," said Mr Ahmet Haseki, general manager of MEPA. He admits that the import surges are the problem: what happens is that companies who have secured scarce credit rush to meet their export targets for fear of having to pay the stiff penalties for non-fulfilment, and there is no mechanism for co-ordinating exports.

Turkey has retaliated with a 15 per cent tariff surcharge on European steel and a similar tax on machinery imports. The result, say Mr Haseki, is that Turkish textile producers are buying their machinery from Switzerland or the U.S. and their synthetic fibres from Spain, Finland or East Europe.

Others say order books are full despite the EEC quota restrictions. Garments are routed through "easy" countries like West Germany, through Sweden and Finland, or through partner companies in Switzerland and Austria. Sometimes it is merely a matter of sewing a few extra buttons on a T-shirt and calling it something else.

"The Turks are very quick copiers of *haute couture;* they can have those clothes in the shops in a week," says Mr Gwyn Morgan, the EEC's new representative in Ankara. He says Turkey is in no hurry to sign an agreement on textiles, but is desperately concerned to protect its EEC association status following the prospect of Spain and Portugal becoming full members.

TURKEY'S EEC TRADE

($m)

	Jan-Aug 1983	1982	1981
EXPORTS TO EEC	1,266	1,755	1,503
West Germany	476	707	643
Italy	na	327	246
France	na	195	215
UK	na	189	148
TOTAL EXPORTS	3,448	5,746	4,703

	Jan-Aug 1983	1982	1981
IMPORTS FROM EEC	1,674	2466	2,519
West Germany	693	1,009	940
Italy	na	415	372
France	na	263	400
UK	na	434	434
TOTAL IMPORTS	5,844	8,734	8,933

Debate begins on incentives

Exports

CHRISTIAN TYLER

TURKEY'S EXPORT boom is over, for the present at least. This year's growth is expected to be around 2½ per cent, compared with 22 per cent in 1982 and no less than 62 per cent the year before. A sharp drop in agricultural sales is chiefly responsible, and total exports are likely to fall well short of $6bn.

One consequence of this—probably temporary—stagnation has been a keen debate among Turkish industrialists about the efficiency of present export incentives. The boom itself occurred under Mr Turgut Ozal's tutelage. Now that he is Prime Minister (and will be taking foreign trade policy under his own wing) industry is confident that exports will be at the top of his economic agenda. New motivation is needed, but what form should it take?

A few, westernised, businessmen argue that the present system of rebates, subsidies and export "targets" will prove counterproductive in the long run, and that a 20-30 per cent revaluation and a free exchange rate is the right answer. They say companies have become overdependent on domestic incentives, and are failing to develop sound, long-term, markets and product strategies. True or not, that view is unlikely to prevail in a developing country like Turkey whose economy until 1980 had been virtually insulated from the outside world for over 30 years.

Again, major obstacles like a severe export credit shortage and undeveloped marketing and management skills, will take time to remove.

The credit shortage has been acutely felt this year. Only about TL 110bn of subsidised credit, equivalent to less than a month's exports, has been available from the central bank via commercial banks; companies have been getting as little as a half or a quarter of the nominal value of letters of credit for short-term business. There are complaints too that the credit system is too selective, that banks are averse even to good risk business.

Exporters are also feeling the need of an official export credit insurance agency, not least because so much of their business today is in political risk markets of the Middle East and North Africa. Mr Ozal is understood to be considering this along with other possible reorganisation of the credit mechanism.

Companies enjoy a 20 per cent tax allowance on their export sales with in some cases additional remission as the value rises. Some feel that this allowance is not selective enough. There is also a production tax relief of 5-12 per cent, according to the kind of export goods produced, and a freight subsidy in the case of textile exports to the U.S.

Export regulations are not seen as a major obstacle although one firm complained that the customs required over 140 separate documents. Another said that customs officers are sometimes overzealous.

The biggest bone of contention, certainly among firms set up under the "open door" Law 6224, is the system of export obligations. Permission to set up a new venture in which there is foreign capital depends on a commitment to export a certain ratio of the output—up to 30 or 50 per cent in the Istanbul area, much less in the underdeveloped regions. The same commitment has to be given before a factory can be expanded.

While understanding the intent of this rule, companies claim it is quite unrealistic in practice and will be lobbying the new government for a more flexible arrangement.

The rule may not always be strictly applied in practice. One U.S. food concern, whose primary motive for investing in Turkey was to serve the local market, is said to have ducked its export obligations for years.

Joint venture companies are arguing through their pressure group, YASED, for the freedom to use their marketing skills and develop trading arms. At present this function is restricted to about 20 native trading houses.

TURKEY'S EXPORT GROWTH

($m)

	1980	1981	1982	First eight months 1982	First eight months 1983
Exports	2,910	4,703	5,746	3,361	3,448
of which:					
—Agricultural	1,672	2,220	2,141	1,215	1,022
Mineral	191	193	175	114	123
Industrial*	1,047	2,290	3,429	2,032	2,303
—OECD	1,680	2,264	2,556	1,411	1,660
Iraq	135	559	610	462	139
Iran	85	234	791	405	661

*Including agri-industry

Protection likely to continue

Imports

CHRISTIAN TYLER

UNDER ITS new economic management, Turkey is expecting to become a free-trading nation. But as in any developing country — and one moreover that has only recently recovered from near bankruptcy — it would be unrealistic to expect the market to become genuinely open to imports. Protection of domestic industry, although greatly reduced in recent years, is likely to continue.

Organisations like the industrialists' club TUSIAD and the chambers of commerce declare themselves anti-protectionist; but for many of their members this may be more a gesture of support for Mr Ozal's economic policies than a deeply-held conviction.

In the case of imports liberalised by decree, procedural delays by the entrenched bureaucracy are still a cause of complaint especially among foreign investors and their Turkish partners. Despite the success of Turkey's export drive in the last three years, the inflow of foreign exchange appears still too precarious to make liberalisation anything but a gradual process.

The import regime is announced annually and consists of two main lists, with a further channel for "emergency" imports. List 1, covering raw materials and some manufactures, is subject to a minimum of formality. It has been extended but still only a small share of total imports this year will be in this category.

List 2, mainly comprising spare parts, machinery and consumer goods, is much more strictly controlled and applications take much longer to process.

The goods on both these lists are those considered essential for the running of Turkish industry. Competing goods, on the other hand, are either banned outright, or subject to prohibitive tariffs.

Although published annually, the "liberalised" lists can be amended, and frequently are, at short notice. In the case of List 2 goods, companies may find out only by trial and error that permission to import a certain item is being witheld.

A businessman needs to hold an import permit from the Ministry of Commerce. For List 1 goods he may simply apply to a commercial bank, pay the import deposit, show four copies of the relevant invoice, demonstrate that he has paid the relevant taxes and then put down the Turkish lira equivalent of the value of the goods. At present there seems to be little difficulty in this procedure, at least for short-term business.

For goods on the second list, the procedure is more complicated. A certificate of permission to apply for foreign exchange has to be granted, after review by the relevant government departments: normally the Ministries of Trade and Industry. Their assessment is based on an elaborate review of the company's needs and the market price of the goods it wants.

Importers have to pay a deposit of 7.5 per cent in the case of industry and 15 per cent in the case of commerce and may for certain products also be liable to make a "contribution" to the Backup and Price Stability Fund.

Foreign investors may however be exempt from certain import duties and taxes for goods they need to set up new ventures.

The Turkish business community is meanwhile waiting with interest to see how far Mr Ozal will go towards full convertibility of the lira and freedom of the exchange rate. Measures like these, coupled with customs duties, are seen as the best way of giving domestic industry the necessary protection and dispensing with an unpopular licensing system.

Turkey's highly protected industries could face increased foreign competition. In some areas—notably defence equipment and processed foods—there are signs of new dynamism. The importance of electronics is increasingly being recognised. Performance in key sectors is analysed on this and the following three pages

Small units crowd the road

Motors

DAVID TONGE

TURKEY'S fledgling automotive industry has never suffered from a lack of foreign suitors. One of the more recent firms prepared to show the seriousness of its intentions is Ford, which is purchasing 30 per cent of the shares of the Koc Group's Otosan. This has just spent $27m to introduce a new Ford truck model, the Cargo 1312, and to start diesel engine production.

Now Mercedes Benz, which has in the past stopped short of the altar, and may yet do so this time, has taken a 36 per cent share in Otomarsan's new $80m project to produce 15,000 trucks, 19,500 engines and military vehicles per year.

But in many ways the country's problems is not whether it has been loved but how. This year it is only likely to produce a total of 120,000 vehicles yet, of these, the expected 40,000 tractors are being made by no less than nine Turkish firms, the 16,000 trucks by seven firms, and the 40,000 cars by three firms. (Buses and minibuses are the other main products.)

Each one of these Turkish firms has arrangements with foreign companies. The result is that most of the great names of the U.S. and West European automotive sector are to be found in Turkey. But the units are almost all small. Even today no-one seems to be thinking in terms of economies of scale.

The reason for this is clear. When the Koc group set out in 1960 to give Turkey its first motor car there were virtually no side industries to supply it with everything from front light to back brake.

This lack of local supplies as well as the absence of experience meant that all the groups which entered the sector preferred to go step by step. For years, protected by high tariff barriers, they were in a seller's market, meaning that many firms could exist side by side.

Over the years the side industries have grown. Around 80-85 per cent of the value of every bus and car made in Turkey is now locally made, as is around 70-75 per cent of every lorry. The quality of bought-in parts is no longer the problem that it was. "We do not now automatically prefer imported components, but more attention to standards is still needed," one manufacturer says.

All this caused several firms to consider major expansions in the mid 1970s, but just then the market collapsed. The country's foreign exchange crisis meant that firms could not buy the necessary imports, strikes and electricity shortages plagued production, and inflation and economic stagnation hit sales.

Between 1976 and 1980 production fell by more than half, from 146,095 to 67,817. It has since crept up gradually, and this year alone output is up by 28 per cent.

Yet, despite this, car and truck plants are running at a mere 45 per cent of capacity and tractor plants at one-third. The only bright spot has long been bus production. The labour intensive nature of buses has meant that Otomarsan, working under Mercedes Benz licence, and MAN's Turkish plant were able to export when the domestic market was tight: last year they accounted for $62m of the $134m exports of the automotive sector. This year the domestic market has picked up so that, despite a drop in exports, they are working at 92 per cent capacity.

The large number of investment projects in heavily-engineered goods such as engines is a sign of the growth of Turkish confidence in tackling the more advanced stages of industry. Now it is the absence of large amounts of capital on reasonable terms that is the major reason advanced by companies for not setting up plants capable of benefiting from economies of scale. For the potential of the Turkish market is obvious to all.

Its large agricultural sector has long appealed to tractor groups and even if sales have been low at home the country has begun to make its mark with its neighbours. Tractor exports in the first nine months of 1983 totalled $47.8m. Equally striking is the potential for lorries. The country is large and the railways are notoriously inefficient. Yet there are less than 200,000 lorries in this country of 47m people.

Income distribution

The same point is most strikingly made by looking at the car market. At present less than two Turks in a hundred own a car. This is around one-seventh of the levels of ownership of Yugoslavia and one-fourteenth of those in Spain.

It is true that average income in Turkey is only 40-45 per cent of Yugoslav levels and 20 per cent of Spanish levels but income distribution is skewed in Turkey, with large numbers of rich in the cities.

It is because of this that men like Mr Can Kirac, president of the Koc Group's automotive interests, expects the country's car park to treble over the next decade from its present 0.8m. His view is that the existing groups will handle the increase; "I do not see any possibility for new firms to come into the Turkish market."

Mr Kirac says his group's present plans are to introduce the Ford Taunus to Turkey, producing it at their Otosan works with a target of 4,000 for 1985 and 10,000 for 1986. The group is also participating in the model changes now under way by the Fiat-Koc company, Tofas. Fiat has 41.5 per cent of the shares in this and the Koc group 24.9 per cent.

Capacity at its Bursa works is 30-40,000 cars per year, and an investment of $15-20m would be enough to double this, Mr Kirac estimates. "But there is no point in considering such a project when local capital costs 65-72 per cent and foreign capital will have to be paid back with devalued liras," he says. The cost of local capital would have to fall to around 25 per cent, he says, to make the investment worthwhile.

In the meantime Tofas is exploring plans to produce a smaller model, retailing at less than the TL 1.5m (£3,900), of its version of the Fiat 131. It is putting a basic Fiat 124 on the road at a price 30 per cent lower in an attempt to winkle out new customers.

For its part, Renault is involved in switching from the Renault 12 to the Renault 9 at the plant it has set up with Oyak, the army pension fund. But Mr Kirac is the first to admit that the Fiat 131 on sale in Turkey is considered absolete in Europe. Indeed the cost to the Turks of having their own industry is that they lag behind the models of the rest of West Europe.

That said the alternative is usually considered unthinkable. A recent study by the industry forecast that Turkey would need to import $1.34bn-worth of components to make the 617,000 vehicles expected in the years 1983-87. But in the absence of the industry those vehicles would cost the country over $8bn-worth of foreign exchange. How Mr Turgut Ozal, the new Prime Minister, acts in allowing foreign competition in this sector will be one of the acid tests of his professed aim of opening up the country.

MOTOR INDUSTRY DEVELOPMENTS

Company	Project	Location	Foreign connection	Value	Status
Anadolu Endustrisi	Light-duty trucks	Istanbul	Isuzu		Under study
BMC	Switching to heavy-duty Volvo engines	Izmir	Volvo		Under way
Ercan	Truck plant	Ankara	MAN	$38m	Under construction
Ercan	Heavy-duty diesel plant	Ankara	MAN		Under construction
Otamarsan	Truck engines and lorries and military vehicles	Bursa	Mercedes	$80m	Approved
Otosan	6-litre diesel engine	Inonu	Ford	$23m	Completed
Otosan	Cargo truck	Istanbul	Ford	$4m	Completed
Tumosan	Medium-duty diesel engines	Aksaray	Mercedes		In productn
Tumosan	Tractor diesel engines	Konya	Fiat		In productn
Tumosan	Farm tractors	Konya	Fiat		In productn
Tumosan	Light-duty diesel engines	Aksaray	Mitsubishi		Under study

VEHICLE PRODUCTION

('000 units)

	1976	1978	1980	1982	1983*
Trucks	20	13	8	14	12
Cars	63	54	32	31	39
Tractors	37	18	17	36	29
Total, inc others	146	96	68	94	84
Rate of capacity use %	68	46	26	32	39

* First nine months

Source: Automotive Manufacturers Association of Turkey

A cautionary tale for investors

Tyres

DAVID TONGE

"IT WAS pure coincidence," insisted Mr Sakip Sabanci, head of Sabanci Holding, as he paused briefly on the roof of his tyre factory to answer why he had put his plant directly opposite the Pirelli and Goodyear factories in Turkey. But now he obviously derives pure pleasure from looking at his competitors across the Istanbul-Izmit highway. In the past five years his Lassa has established itself as the largest tyre plant in the Middle East and has begun to edge aside its competitors in Turkey. At the same time Mr Sabanci openly relishes the way that even other companies' tyres make him richer.

"One-quarter of the value of each tyre they sell comes to me. They use my tyre cord," he says cheerfully. His tyre cord plant, Kordsa, also in sight from the roof, is one of the major such plants in Europe.

Turkey's tyre industry is a cautionary tale for both foreign investors and local businessmen. Goodyear, Pirelli and Uniroyal all came to Turkey a quarter of a century ago when foreign capital was briefly welcome. They were soon to find the atmosphere in Ankara changed and they became objects of deep official suspicion and obstruction. "We spent years being forbidden to modernise or extend our plants," a Turk Pirelli executive says today.

Admittedly, the situation changed in 1980 when Mr Turgut Ozal, now Prime Minister, was put in charge of the economy. But Goodyear and Uniroyal have left their capacity at respectively 55 and 100 tonnes per day. By contrast, Turk Pirelli has just increased its capacity from 75 to 110 tonnes per day. All three now lag behind the 140-160 tonne capacity of Lassa.

Having overcome teething problems over quality, the plant now claims 32 per cent of the local market and dominates exports with shipments this year of $25m. It works under licence from B. F. Goodrich and has a considerable lead in the modernity of its equipment.

However, two factors mean that there is still room for all four plants in Turkey, and even possibly for the new state plant being erected at Kirsehir in Anatolia. The first factor is that tyre prices are fixed by the Government so that there is little room for competition through a price war. The second is that Lassa is a case book example of how inflation and changes in interest rates and government regulations

KORDSA

have left many companies with financing costs which can amount to as much as 20-30 per cent of gross sales revenue.

Lassa's factory costs are far lower than its competitors, but its advantage here is eroded by its high debt burden compared with those of the other plants.

Set up, like many businesses, when interest rates were well below the rate of inflation, Lassa always had a high ratio of borrowed to own capital. The rules of the game changed in 1980 when bank interest rates were let loose. The cost of normal bank credits soared to around 60-70 per cent.

Lassa was to some extent protected against this by the preferential interest rates on various loans it had obtained under normal Turkish set-up incentives or export credits. It has also greatly increased its capital—from TL 0.6bn in 1976 to TL 1.2bn in 1978, TL 3bn in 1981 and now to TL 4.5bn.

The result is that the average cost of its TL 10.3bn debt outstanding at the end of 1982 was 18 per cent. This is a relatively low figure in Turkey and equivalent to a tolerable 13 per cent of gross sales revenue. However, the situation changes if full account is taken of the company's foreign debt.

Encouraged by Turkey's mid-1970s boom, Mr Sabanci decided to pull no punches when he set up his tyre plant. His main source of funds was a $47m Eximbank credit. His readiness to incur this debt was largely because the Government extended a guarantee protecting him—like many other businessmen—from the extra Turkish lira costs of paying this debt back as the Turkish lira depreciated against the dollar. But overnight in 1978 a new government rescinded this guarantee.

Having borrowed the money when the exchange rate was TL 15 per dollar, he has had to watch on as the rate climbed to TL 160 last year—and TL 270 today.

Last year interest on this debt amounted to TL 240m of the TL 1.9bn financing costs shown in the business profit and loss account. But repayment of principal cost the firm a further TL 1.2bn. If this too had been included in the profit and loss account financing charges would have totalled 21 per cent of gross sales revenue.

By including it elsewhere in the accounts, the company was able to ensure that it turned in a net profit of TL 400m, and not a loss of twice that amount.

The group is quite disarming about the way it presents its accounts. "We don't want to depress our shareholders," its officials comment. They also add that only a diversified group with financial resources like those of the Sabanci group could have survived the lifting of the foreign exchange guarantee.

"We see it as an example of Turkey's potential—and what this country's private sector can achieve," says Mr Oguz Karahan, co-ordinator of the Sabanci Group. He says that the plant—which he estimates would cost around $100m to build today—has now "crossed the bridge."

Certainly the Sabanci group has shown its confidence in this by recently increasing its shareholding from 35 to 60 per cent.

LASSA

Yet the surprise is that Mr Sabanci is in some ways more proud of Kordsa. Helped with a credit from the International Finance Corporation, the private sector window of the World Bank, he has doubled the size of this to 28,000 tonnes per year of dipping capacity and 16,000 tonnes per year of twisting and weaving capacity.

A second extension of the twisting and weaving capacity to bring this up to 21,000 tonnes should be completed next year. It is now one of the largest such units in the world under a single roof, his staff boast.

Exports have doubled in the past two years to reach $26m—and market positions seem established. Further, having had to turn to Goodyear for set-up advice, Kordsa did all its own extension work. "It's a plant which shows how Turkey has grown," Mr Sabanci says.

Potential still unrealised

Agriculture

CHRISTIAN TYLER

IF THERE is one thing on which businessmen and policy-makers agree, it is that Turkey has great agricultural potential. These days, everyone is talking about "agribusiness," and a growing number of native and foreign companies are investing money in it.

But making agribusiness work for Turkey looks like being an uphill struggle. As a former government official ruefully observed, the department with least influence on agricultural investment is the Ministry of Agriculture itself. Even if it were given real powers by the new government, a thorough reform of the bureaucracy would be needed first.

Agricultural output has grown over the long term but suffers from a lack of irrigation, fertiliser and an apparent credit shortage; and bad weather this spring means a disappointing year for farmers.

But the food processing side, on which so many export hopes are pinned, is developing rapidly. Lessons have been learned from a number of spectacular miscalculations in the 70s, when, for example entrepreneurs set up fruit juice and tomato paste factories only to discover that the fruit itself was either not available close to hand, or that it was of the wrong quality for industrial processing.

Studies commissioned by the Industrial Development Bank and others have now identified the organisational gaps that have to be plugged: new seed strains need to be introduced, the farmers need to be re-trained, more cold store capacity and refrigerated transport is required, factory hygiene improved, and sophisticated marketing skills applied.

Agricultural exports were worth just over $1bn in the first eight months, compared with $2.1bn for the whole of last year and $2.2bn in 1981. The additional figures for agri-industrial goods were respectively $421m (a big increase on the same period last year), $568m and $412m.

Shamed by the sight of West European refrigerated trucks trundling through their country on their way to the Arab world, Turkish farmers have successfully interrupted that traffic with sales of their own lamb, chickens and eggs. For example, Iraq is now the biggest export market for the resurrected tomato paste industry, taking 16,600 tonnes last year. The UK was the second largest, taking 7,600 and the U.S. third with 3,500.

Growing interest

Direct foreign investment in agribusiness is still rare, but interest is said to be growing daily. For example, the West Germans have a 35 per cent share of a fruit and vegetable refrigeration business called Frigogen near Istanbul airport which is due to open next year.

American companies, recently in Turkey on an investment mission, appear keen to export animal feed and seed as well as processing technology, and Unilever, the Anglo-Dutch multinational, is expanding its Turkish operations in food.

West German partners are also involved in IMEX a meat processing factory due to be built near Ankara for export to the Middle East.

Meanwhile a few Turkish industrialists at least are taking the possibilities seriously: Yasar Holdings of Izmir has a TL4bn meat processing plant and the Koctug shipping group has a big poultry business in the Marmara area.

The World Bank is providing $150m in loans against $138m from the Ziraat (Agricultural) Bank for technical and equipment support for nearly 300,000 peasant holdings. This follows a $25m World Bank loan in the early 1970s for packaging and cold store facilities. The IFC, the World Bank's private sector affiliate, has supported several recent local investments.

Ziraat Bank, the main supplier of domestic credit for farming, is the subject of criticism in some quarters for "losing sight of its customers," as one industrialist put it. Some foreign observers, meanwhile, believe there is no real shortage of capital for agribusiness but that Turkish companies prefer financial and property speculation to long-term investment.

PROFILE: UNILEVER

Sunflower oil venture planned

THE TURKISH word for margarine is "sana," just as the English for vacuum cleaner is "hoover." In fact Sana is the brand name of a Unilever product. Over 100,000 tonnes a year of the stuff is turned out by the company's edibles division in Turkey, almost all of it for domestic consumption.

The Anglo-Dutch company also makes detergents and toiletries for the local market, where it has been operating for over 30 years with little serious competition.

But what really interests the chairman of Turkish Unilever, Mr Melih Yildizlar, at the moment, is the food business. He is one of those who believe agribusiness is more than just a vogue word in the Turkish economic debate.

He is planning a new venture which, on the face of it, seems a model of the kind of enterprise that the Government is keen to promote. The idea is to set up local supply of sunflower oil for the edibles factory. At present Unilever buys significant quantities of soyabean oil "at very volatile prices."

The venture would bring together a U.S. company, providing hybrid seed and technology, Unilever to provide management, and farmers co-operatives to grow and supply the sunflowers. The farmers would qualify for credits from the Agricultural Bank and would also get Unilever funds for their seed, machinery and further education.

Costing only TL200m ($0.8m), but up to TL500m eventually, the project is not expensive. Seed would have to be imported until propagation was established. The U.S. company and Unilever would have 35 per cent each of the new company and the farmers 30 per cent.

"In three or four years time we could not only bridge the import gap of 150,000 tonnes a year," Mr Yildizlar says, "We could even export."

He adds: "It's most important that we get a rational pricing structure for seed so that farmers can choose what to plant on the basis of free market prices, not government minima. At the same time we must educate them—I think they could double their yields."

Like other businessmen, Mr Yildizlar complains about the export requirements on which permission to expand is granted. Indeed, for one recent development on the edibles side, due to start up at the end of next year, Unilever has undertaken to ship 30 per cent abroad—or 11,000 tonnes a year.

The chairman doesn't yet know where he will find a market for it. He is hoping that Mr Ozal's Government will make these targets flexible, and will also be more selective in the way refunds are given to exporting firms.

In general, however, he declares himself pleased with the new climate for foreign investors. "Life is now extremely easy compared with what we have seen in the last 10 years. And I am sure it will be easier still with the new Government. But still it will take time to establish a new, more dynamic bureaucracy."

C. T.

Over a third of EEC cotton yarn imports come from Turkey but because of restrictions this summer yarn has had to be made up into grey cloth for sale elsewhere

Why export sales are erratic

Textiles

CHRISTIAN TYLER

ABOUT ONE in five Turkish workers depend on the textile and clothing business, and the exports of the industry, the country's biggest, still account for a large proportion of foreign exchange earnings.

Textiles' share of last year's $5.7bn of export earnings was over $1bn of which some 60 per cent came from EEC markets. But, mainly due to the EEC quota system, it is an erratic trade in which producers face an annual scramble to unload their merchandise.

Further export growth was recorded in the first months of this year, but companies are not expecting much from 1983 as a whole. The balance between export and domestic sales is also erratic: at present home demand is said to be rising again.

Export sales are erratic too because of the way the credit system works. The search for subsidised export credits has led companies to undertake export commitments they cannot meet. To avoid the penal surcharge on repayment, they then have to find another exporter to fill their quota for them. The system leads to "bunching" of sales and usually means that the EEC country quotas are exhausted halfway through the year.

One trading house which specialises in textile exports has recorded a huge increase in turnover this year, from $26m to $400m, but virtually none of that is new sales: the company has merely succeeded in attracting a large number of new clients.

Over a third of EEC cotton yarn imports come from Turkey, representing over 90 per cent of the country's trade in that product. Because of EEC restrictions this summer, yarn has to be made up into "grey" cloth for sale elsewhere.

On the garment side, where quota problems are even more acute, Turkey accounts officially for only about 3½ per cent of EEC imports: but anecdotal evidence suggests the figure is much higher since so many companies are disguising the origin of garments by routeing them through EFTA countries.

One trader estimates that Turkey could sell $1bn worth of garments to the EEC a year if allowed to do so. "If all the yarn was converted in this country, it would solve our unemployment problem."

Producers have turned increasingly to the Middle East and north Africa. For example Iran is taking 85,000 tonnes of cotton yarn and there has been a dramatic increase in sales to Saudi Arabia.

So-called "conditional trade arrangements," worth $1.2bn with Iran and $1bn with Iraq this year, have provided a much-needed security. These are intergovernmental swaps of Turkish goods for oil and the accounts are settled by the central bank. But exports to Libya have plummeted in this as other sectors because of the political risk, while new markets in Tunisia and Algeria are seen by many as only short-term.

There is more than enough capacity in Turkey at the raw end of the textile industry, but some argue there is still room for investment — including foreign investment—in ready-to-wear, especially the top end. Turkey is still a cheap manufacturing country: if its industry could be made as efficient as those of the Far East, it would have a double advantage.

It is rumoured, for example, that some Taiwanese businessmen have been seeking to relocate their production in Turkey, to profit from the cheap labour, while a West German company is reportedly buying a garment factory at Ismir to process Brazilian yarn for export in the EEC.

Meanwhile the hand-made carpet trade is recovering rapidly according to Derin, of Istanbul, a big wholesaler of Hereke silk rugs which has survived the recession to emerge as the leading manufacturer in this luxury business.

Mr Mehmet Derin said the company expected $15m worth of export sales this year and more than $20m next. His company is now starting to produce wool carpets with silk highlights to widen its customer base.

PROFILE: FETHI AGALAR

Rare kind of whiz-kid

ANY SON of an industrial baron might expect high office in the family firm at a tender age. But Mr Fethi Agalar, at 32 the chief executive of the Altinyildiz textile group, is a genuine whiz-kid.

Mr Agalar represents that still relatively rare breed in Turkey, the professional manager who makes other people's money work for them.

He is the product of the former Robert College, run by the Americans and now part of Bosphorus University—indeed he is part of what is sometimes called the "Robert College Mafia." He graduated in business and industrial administration with an MBA in marketing from a class of eight. Today he teaches financial techniques three hours a week at his alma mater — but the class has grown to 60.

Mr Agalar's father was a judge in Ankara, where he went to high school. After university Mr Agalar joined the Chicago-based international accounting firm of Arthur Andersen, working in their London office for three years, then for eight months in Tehran.

He helped set up the firms' Turkish office in 1979, but left along with some English colleagues because he felt the operation was not getting head office support.

Altinyildiz took him on to develop their marketing, having already invested in some of the most modern textile machinery to be found in Turkey. The company had already graduated from textiles to ready-to-wear clothing, leather shoes and handbags. Mr Agalar set up two marketing arms, Karat in Turkey and Alticom in Switzerland, followed by a chain of stores in Turkey to sell clothes under the firm's brand name, Beymen.

The company has now branched out into furniture, mining and petroleum distribution. Mr Agalar has just clinched a $30m steel transaction, converting Japanese blooms into Turkish billets for sale to Iran.

His wife Selma is also an Arthur Andersen-trained accountant, working for Turkey's Industrial Development Bank.

C. T.

The importance of the sector is now being grasped

Assembly side dominates

Electronics
DAVID BARCHARD

ANKARA's VAST but relatively underused central railway station is not noted as an area for technological innovation but since last month its ticket offices there have been using computer terminals. Outside, computer terminals. Outside, the taxis which carry arriving passengers to other parts of town They have been fitted with taximeters made in Turkey by Testas, the state electronics corporation.

The once fashionable criticism that industrialisation in Turkey was seen almost wholly in 19th century terms is rapidly ceasing to be true. The importance of the electronics and computer industries is being grasped.

Two Turkish businesses have started to manufacture electronics components, albeit simple ones, in the last three years. They are the state corporation Testas and a private sector firm Tupko which makes cathode ray tubes. Testas makes passive components such as resistors and capacitors and along with Aselsan, the military electronics company, is looking at ways to make active components such as integrated circuits and transistors with the *Exar Corporation of the* United States. There are also tentative plans for Turkey's first venture into microcircuitry.

Meanwhile, it is the assembly side of the industry which is dominant. There are now approaching 20 *companies* active in electronics assembly in Turkey, including eight companies assembling televisions and video sets.

There are four major businesses making printed circuit boards (PCBs) of which the largest is Netas, a joint venture between Northern Telecom and PTT, the Turkish Post Office, with plant at Umraniye near Istanbul.

Others are Aselsan in Ankara; a new joint venture involving the PTT and two private sector businesses, Sezai Turkes/Feyzi Akkaya and Ray Sigorta, Teletas; and a private company, Unal. Both Aselsan and Netas can make double-sided, through-hole plated PCBs.

Turkey may not have produced its equivalent of Silicon Valley yet, but its infant electronics industries are staffed by graduates of the country's best universities, Ankara's Middle East Technical and Istanbul's *Bogazici, and they radiate self-*confidence and excitement. Both Aselsan and Netas devote a major part of their funds to research and development. Netas's R & D budget in 1984 will be TL 500m, just over 4 per cent of its sales.

"We have no problem in attracting young electronic engineers who are as good as any in the West," Netas says. "The problem may be trying to hang on to them later as many want jobs in the Western countries and are capable of getting them."

For this reason Aselsan's general manager, Hacim Kamoy, has become virtually an extra-curricular member of the Middle East Technical Univer*sity and Aselsan will probably* site its second plant in Istanbul so as to be able to tap the pool of talent at the University of Bosphorus (Bogazici).

One of the more serious handicaps is the need to import components, including limited supplies needed for prototypes. "It takes up to six months to get them sometimes" the Netas official said. "delays by suppliers are involved as well as customs bureaucracy this end." Heavy duty on some components means that the products of the Turkish electronics industry can be uncompetitive as far as export markets are concerned.

Even so, exporting is very much on the minds of producers. Netas's Space Net PABX system brought on to the market a few months ago is already holding more than half the domestic market in Turkey and should be available to customers in other Middle Eastern countries over the next few months.

So far only one Turkish business is engaged in computer assembly. Biltek of Ankara who *are producing Kinzle mini-*computers. Turkey's middle class has cut down the timelag between the appearance of a new product on the market in Western Europe and demand for it in Turkey to a few days.

Visitors to the West are now regularly asked by their Turkish friends to bring back minicomputers and accessories. But the Turkish customs have taken an unfriendly view of the com*puter industry. Last April a* temporary ban was slapped on most private sector imports of computers into the country, a restriction which businessmen describe as "unfair" and "nonsense."

Turkish electronics engineers however believe that the country will be producing microcircuitry and computers within a few years.

This can only help the country's telecommunications system which, though improving, is still acknowledged to be woefully inadequate. Waiting times for telex connections are over two years. For telephones, a subscriber in the big cities may have to wait for up to five years. There are only 10,800 installed telex lines and 1.4m telephone subscribers in the country. "The waiting list for telephones *is as high as the number of* people with telephones," says another Netas official.

The Government has prepared a telecommunications masterplan (not yet published) and plans to introduce another 280,000 telephone lines and 8,000 telex lines next year alone. Even so Turkey is far behind most Western countries in the telecommunications league. There are 2.5 lines per hundred of the population in Turkey compared to 25 in Greece and 40 in the United Kingdom.

Demand increasing

Three companies (Netas; *Turk Telefon, a joint venture* with Iskra of Yugoslavia; and Telsantas) make PABX equipment. Netas is the only switching equipment supplier though the PTT is looking for a second switching supplier and is considering six bids at present.

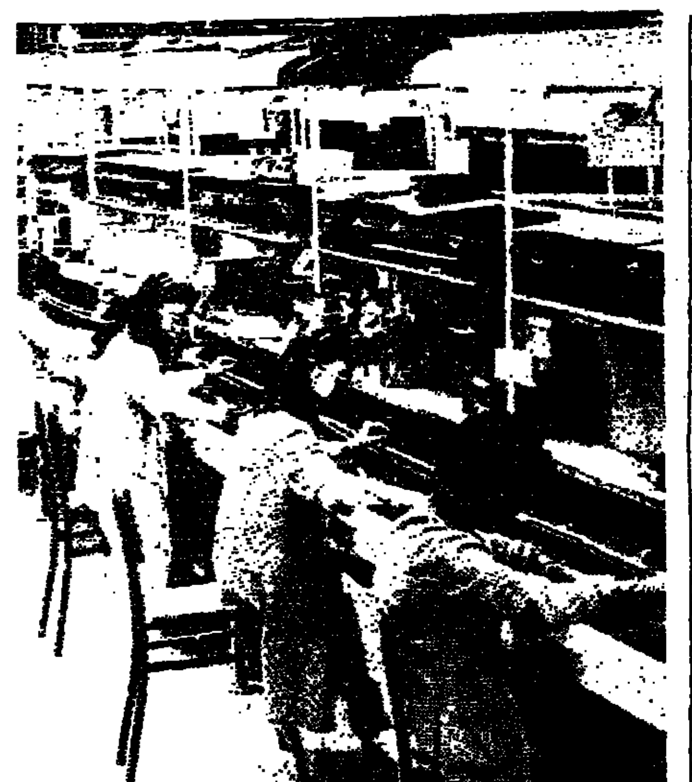
Meanwhile, a Japanese company, NEC, is to build an antenna ground station for $8m to supplement the existing one at Golbasi outside Ankara, and Turkey's connections with Western Europe, which mostly run through a cable from Antalya to Catania in Italy which came into service in 1976, will be improved with satellite connections through Utelsat.

Even so demand looks likely to rise faster than supply. The Government has an awkward choice between long-term investments to improve the overall system and short-term spending to get equipment and lines to consumers. Major business centres in Istanbul and Ankara are chronically congested but meeting their needs can only be done by delaying the provision of expensive telecommunications services to remote provinces.

Ironically, Golbasi, where Turkey's first satellite ground station is, has to be called on *the operator-dialled inter-city* service. Getting a call through can take longer than driving there and back from Ankara.

As for more sophisticated services, Netas have just brought into service Turkey's first *DMs-100 digital switching* exchange and should be able as a result to increase their annual production capacity from the present 200,000 lines a year to 500,000 lines. Telephone density in congested areas should be improved substantially.

But these are services which are already taken for granted in Western Europe. It looks like being a long time before new services such as public telefax make their appearance in Turkey.



Bekoteknik's television factory at Buyukcekmece. The company is Turkey's largest manufacturer with 25 per cent of the market.

Floating to success

Glass
CHRISTIAN TYLER

HUNDREDS OF men and boys are in continuous, double-tempo motion around four great cylindrical furnaces. The glassblowers dip their long pipes into the fiery eye, carry the incandescent treacly globules over to iron moulds where they blow them up like balloons. Seated below the dais, others pick the balloons off with their tongs, then roll, smooth and snip them. Others *again attach wriggling slugs of* molten glass to make handles, stems and bases.

The old Turkish art of glass-blowing, whose products decorated the palaces of the Ottoman *sultans, was virtually wiped out* in the 18th and 19th centuries by European competition. Ataturk, father of modern Turkey, decided to reintroduce it. The skills were imported *from Hungary, Poland* and Yugoslavia and the first mass-production line was set up in 1934 at Pasabahce (pronounced "Pashabachy") on the Asian side of the Bosphorus strait.

Since that factory was established, Pasabahce has become the name not only of a place, but of one unit among 25 production and marketing companies in a group that counts itself among Turkey's top exporting concerns.

Turkiye Sise ve Cam Fabrikalari, or Turkish Bottle and Glass Industries, makes everything from children's marbles to sheet glass and has recently branched out into porcelain. The group exports about 40 per cent of its total production, but in the case of hand-blown glasses, vases, jugs and decanters, as much as 80 per cent goes abroad.

Net profit was TL 3.3bn in 1982 on sales of TL 59.3bn, of which TL 26bn (U.S.$100m) was in exports. The profit may fall back a little this year but a slight increase in sales is forecast. Investment has been run*ning at about TL 10bn annually* for the last three years.

Two years ago the company bought float glass technology from Pilkington Brothers, the Lancashire group, and a new factory for machine-made tableware costing TL 9bn is due to come on stream next May at Kirklareli on the European side of the Bosphorus.

Western Europe and increasingly the U.S. are the *main markets for the hand-*made products, while machine-made household items, bottles and sheet glass are sold chiefly to the Middle East and North Africa, where Sise ve Cam can beat its foreign rivals not only on labour but also on shipping costs.

With little or no serious competition in its home market, the company sees France and Italy as its real European rivals. But managers complain bitterly about "political pricing"—that is, dumping—by the East Europeans who are also selling hard in the Middle East.

At the same time Middle East markets have been difficult recently: volumes have slipped to Algeria because of that country's falling oil revenues, and shipments to Iran and Iraq have been affected by the long war.

However the factory expects to notch up a TL 300m profit this year, compared with TL 223.5m last year, and it is budgeting for ex-factory sales worth TL 13.6bn in 1984, compared with TL 10.4bn in 1983.

Sise ve Cam is 95 per cent owned by one of Turkey's biggest banks, Is Bankasi, which has supported it with investment loans at the government-approved subsidised interest rate of 24 per cent, compared with 60 or 70 per cent for normal *commercial* borrowings.

Although some in the company see Is Bankasi becoming perilously close to becoming a state bank, Mr Talat Orhon, the managing director, insists the *relationship is a sound one and* that the group would not have prospered without the bank's support.

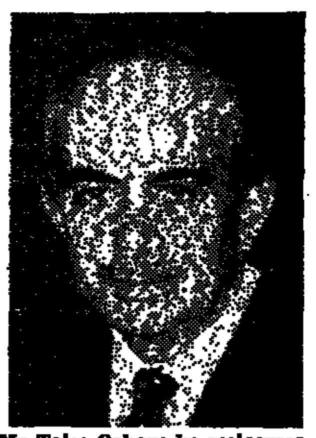
"They are not concerned with short-term profit," he says. "They have encouraged us to make the technical developments to go on the world market and to become an international company.

"This kind of thinking is very relevant in the modern world. For example, the Japanese use this approach—first you get your market share, then your profit."

Sise ve Cam, though long past the infant industry stage, is still protected from the outside by *import controls on the products* it makes, except for some specialised flat glass. Yet it feels ready to take on anybody.

Mr Orhon concedes that there may be new technologies still to come in which Sise ve Cam might need to buy, or go into partnership with, foreign expertise.

If and when the group's parent bank can be persuaded to sell its control to the Turkish public—and the new Prime Minister, Turgut Ozal, wants the banks to release their industrial assets—then the flotation of Turkish Bottle and Glass could be one of the sensations of tomorrow's Turkish stock market.



Mr Talat Orhon: he welcomes Sise ve Cam's close relationship with Is Bankasi

Days of heady expansion come to an end

Contracting
DAVID BARCHARD

ON PAPER the figures still look impressive. Turkish contractors have around $18,500m of orders abroad. But the days of heady expansion are over. Until last October, when Enka and Dogus won large contracts to build successive stages of the Marsa el-Brega new town *in Libya*, 1983 had seen little or nothing in the way of new contracts for Turkish firms in the Middle East and North Africa.

Indeed the fact that most Turkish contractors now regard Libya as the optimum *foreign* market is a sign of the change that has come over Turkey's international contracting operations.

Libya still has severe payments problems and periodic barter deals for crude have to be done to ensure payment. There has been recurrent friction with the Libyan Government on a number of administrative issues. Libya is trying to get the number of Turkish contractors from Turkey operating on its soil down from a peak of about 130 to about 25 or 30. The Turks have resisted.

The recession in the Middle East came just as Turkish firms seemed poised to crack new markets in the Gulf states. The Turks have clung on to existing markets wherever possible, sometimes working within sound of gunfire on jobsites in Iraq. The hope is that when the *Middle Eastern market picks up* once more, Turkish companies will be first in the field.

There have already been some casualties. Among the earliest was Kastelli Insaat, the contracting firm of the Finance House Banker Kastelli which collapsed in July 1982. The Kozanoglu Cavusoglu Group, most of which is currently in the hands of the Ziraat (Agriculture) Bank after going bankrupt, is a later victim. Though K-C are still operating their construction division profitably, there is little doubt that it was delays in payment from Libya which played a major part in pushing other sections of their *industrial empire into the hands* of the receiver.

Amidst these difficulties, two schools of thought have surfaced. One, best represented by the Istanbul-based group Enka which has become the 24th largest international contracting group in the world, believes that high technology ventures, probably in association with foreign partners, are the only way forward. Enka has been bidding for tenders in new areas such as Sri Lanka this year where Turkish businessmen are little known and has a strong interest in the Far East.

Kutlutas, an Ankara-based *group, has shown a similar in*terest, as has Tekfen.

In practice, however, many groups are plumping for what remains of the straightforward residential and office block construction jobs which are labour intensive and give Turkish firms an advantage over South Korean or Eastern European competitors. But finding new projects is tough.

Meanwhile, the Turkish Government has introduced a new grading system intended to ensure that small or incompetent firms do not win contracts abroad which they are not capable of carrying out.

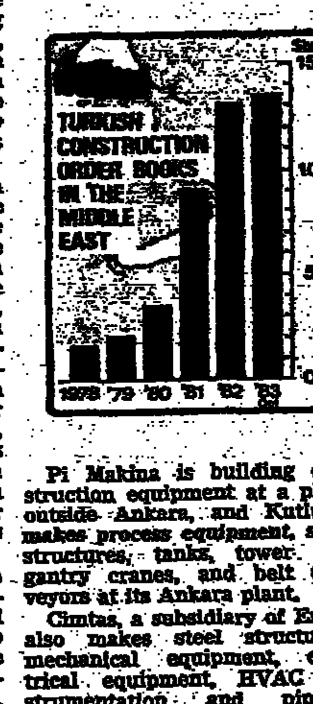
There are at present about 267 firms working abroad, employing a total of 155,000 workers (mostly but not entirely Turkish). The new selection procedures limit the ceilings to specified amounts per company.

High charges for letters of credit (4.5 per cent for the initial 12-month period and then 4 per cent per year afterwards as compared to charges of around 1 per cent in the major Western countries) are seen as a major obstacle for Turkish contracters, as is the absence of sophisticated export credit arrangements.

Many of the Turkish firms consist of major industrial groups whose activities range far outside contracting. K-C, for example, ran a successful daily newspaper and two of Turkey's best-known soft drinks companies. *Enka similarly has* a very wide range of industrial activities and is also active as an international trading company.

During the dark days for the Turkish economy in 1979 and 1980, *many of the big contract*ing groups found they had ready cash to buy up potentially profitable small firms in trouble.

Some firms have stuck solidly to industrial projects linked to construction. Gama and Guris, two turnkey project firms, have sizeable plants around Ankara. Gama has now branched out into electronics and claims to be able to undercut the State Electronics Corporation, Testas, on its key products.

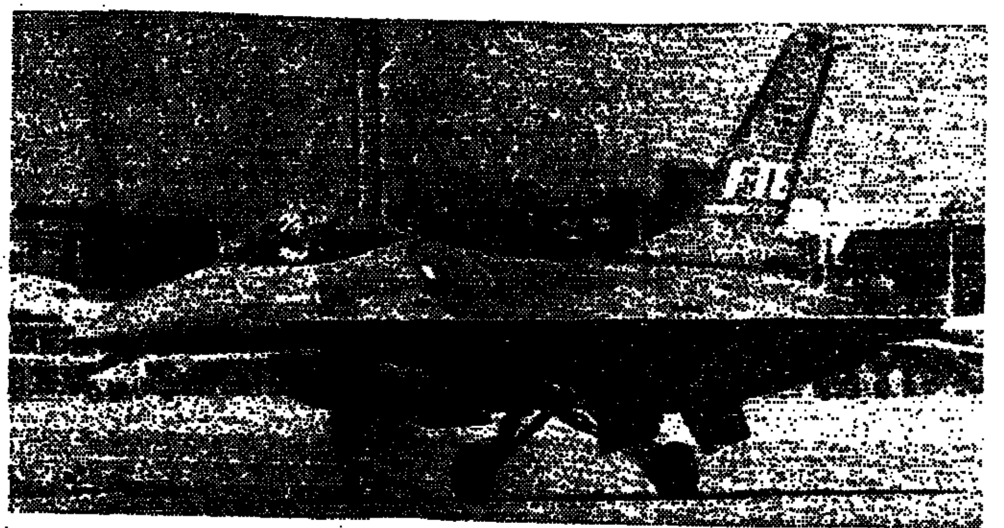


Pi Makina is building construction equipment at a plant outside Ankara, and Kutlutas makes process *equipment*, steel structures, tanks, tower and gantry cranes, and belt conveyors at its Ankara plant.

Cimtas, a subsidiary of Enka, also makes steel structures, mechanical equipment, electrical equipment, HVAC instrumentation and piping. Because of its proximity to Middle Eastern markets, many of the new construction-related plants are being put up in Ankara. "We are only a few hours drive from Iraq or Syria," says a Kutlutas official. "Ankara is a very favourable location."

In the longer term some firms are eyeing the prospect of using *the free trade zone promised for* Antalya for exporting. Others say that the FTZ will in fact be only of marginal benefit to producers who have set up correctly. In terms of technological sophistication they claim that the best Turkish contractors today are not very far behind their counterparts anywhere else.

One sign that Turkish contracting has come of age is that the state hydraulics agency, DSI, this autumn awarded the country's largest ever civil works contract, a $428m tender for the Euphrates Ataturk High Dam, to a Turkish consortium. The final bidders included only one foreign company, Bechtel in a joint venture with Enka.



General Dynamics' F-16: building modern aircraft in Turkey is a cherished ambition of all military men from President Evren downwards

Low profile belies efficient performance

ASKED TO NAME Turkey's oldest and largest industrial corporation, not many Turks or foreigners would come up with the right answer. It is in fact MKEK, the Machinery and Chemical Industries Board, the country's main munitions and military equipment producer.

MKEK can trace its institutional existence back to the military reforms of Sultan Mahmut II in 1828, though it regards itself as the successor to the Ottoman armaments workshops of earlier centuries right back to the founding of the Empire.

Its low profile means that it often escapes attention inside Turkey though it is one of the few public sector bodies regarded as efficient by several private sector businessmen. An ironic tribute to its success came in the 1974 Cyprus operation when Greek Cypriot troops were discovered to be using rounds of ammunition made by MKEK. "Our customers abroad often resell our products," says an MKEK official "It's something beyond our control."

The prime task of the corporation is naturally to supply the Turkish Armed Forces, but MKEK is now selling a wide range of products to the civilian market in Turkey and the rest of the world. Products include prefabricated buildings, batteries, small arms, fireworks, shotguns and rifles, ammunition, gas masks, seamless steel pipes, construction and earth moving machinery, galvanised barbed wire, mobile air compressors, and a variety of machine tools.

The ethos of MKEK remains firmly that of the Turkish civil service. Its management eschew the big business style of some Turkish public sector corporations.

MKEK was one of the first Turkish public sector corporations to go into exporting and its customers are to be found as far away as Brazil. The corporation declines to give exact figures for its foreign sales but says they average around $30m annually and some years are more than double that.

The corporation currently has technical co-operation agreements with five countries, including the U.S., Britain, and West Germany, but specifically rules out agreements with France in the current state of Turkish-French relations. A major partner is Davy McKee of the U.S. for the manufacture of seamless steel pipes.

When the special steels firm, Asilcelik went bankrupt in 1982, MKEK was chosen to oversee the rescue operation.

Quite a few voices were heard grumbling that an efficient state sector firm (MKEK) was being penalised by having to take on an unprofitable private sector one. A year later, Asilcelik has become one of five state industrial corporations attached to MKEK (the others are the two state motor corporations, Tumosan and Akmosan, the electronics corporation Testas, and the machine tools manufacturer Taksan).

Defence Industries
DAVID BARCHARD

Asilcelik is currently making an operational profit and MKEK says that the rescue operation is virtually completed.

Meanwhile MKEK's marketing department is exploring sales possibilities with countries as diverse as Iraq, Syria, Egypt, Bulgaria, Romania, Algeria, Libya, Pakistan and Jordan.

A similar interest in export possibilities is currently being shown by the other star performer in the Turkish industrial defence sector, Aselsan. Aselsan is one of a number of industries set up after the Cyprus invasion. The ensuing U.S. congressional arms embargo led the country's planners to think in terms of self-sufficiency in as many defence industries as possible.

Other corporations exist. There is the aviation electronics corporation, Havelsan, which recently signed an agreement with the Aydin Corporation of the U.S. to make radio and radar equipment. There is Aspilsan, the military batteries corporation, whose Antalya plant makes nickel cadium batteries. Tusas, the State Aircraft Corporation, which is to make F-16 fighter jets with General Dynamics of the U.S., is attached directly to the procurement Department of the Ministry of Defence.

Aselsan is in many ways the exact opposite of MKEK. It is a small, new organisation. Though it was set up with semi-public funds (mostly the armed forces's endowment funds), it functions as a private sector enterprise and its managerial staff are not civil servants.

Aselsan's first plant, just outside Ankara at Macunkoy, came on stream in late 1979. Total investment so far has been $20m and the corporation has 1,300 employees including 165 engineers. It proudly boasts that it does not retain one single foreign manager or advisor.

A visitor from a well-known Western electronics firm is said to have been so impressed after a tour of Aselsan's plant, that he asked to be taken on as marketing operations chief.

Current production includes VHF/FM combat area radio equipment made under the Philips license for backpacks, vehicles, and tanks, handheld receivers and base and repeater stations, industrial electronic equipment, alarm systems and electronic laboratory equipment.

Like MKEK, Aselsan now sells on an increasing scale to the Turkish private sector and earlier this year set up a new marketing division to explore export opportunities.

Along with MKEK, Aselsan is one of the few Turkish public sector industrial corporations enjoying a reputation for quality. "We employ nearly 10 per cent of our shop-floor staff on quality control," says Mr Hacim Kamoy, the man who has presided over Aselsan's establishment since 1975.

"We have other advantages. Our shopfloor staff are almost all high-school leavers and our management and scientists are all under 35 and recruited from the cream of the Turkish University system. We have very close relations with Ankara's Middle East Technical University."

Aselsan is already profitable and its products now cost substantially less in dollar terms than they did in 1979. Meanwhile Mr Kamoy's men are pressing ahead with plans to virtually double Aselsan's research and devolpment work. Telecommunication systems, control systems, industrial control, digital systems, electro-optics, and electronic warfare are cited as the chief areas of interest.

Finance sought to build F-16s

ON A FLAT piece of land about 15 miles outside Ankara, at Murted, a site for the country's fourth aircraft plant is being staked out. The three previous plants flourished briefly in the interwar period and during World War II.

The decision to issue a letter of intent to General Dynamic of the U.S. for a $4.2bn project to build F-16 fighter jets, taken last September, looks to many foreigners like being a major and unnecessary drain on the Turkish economy.

Inside Turkey, where the project is known to be a cherished ambition of all military men from President Kenan Evren downwards, few voices have been heard criticising the scheme.

The deal covers about 160 planes, a quarter of which will be delivered at the end of next year, and the remainder assembled in stages at Murted. Turkish factories are expected to supply 20 per cent of the components, with the proportions being increased gradually. There are hopes in Ankara that Turkish-built F-16s could one day be exported to unspecified neighbouring countries.

Meanwhile for the project to go ahead, financing has to be found. Some $500 in credits from the U.S. Government has been promised, and a further $2,500 is to be covered by an off-set agreement under which U.S. companies would export goods from Turkey, generating the income to finance the deal.

Details have not been worked out yet but a number of U.S. firms visited Turkey in the autumn under the auspices of the Overseas Private Investment Corporation, many of them agribusinesses. Twenty-five initial investment projects from an overall list of 400 are thought likely to go ahead.

General Dynamics is meanwhile working with Du Pont, General Electric, United Technologies, and Huffco from the U.S. side and Eczacibasi, Gama, Enka, Tekfen and Rabak from the Turkish to set up a Turkish-American Management Association.

Just how these tentative deals will underpin the F-16 deal is not yet clear. Nor is it fully certain that Turkey will go ahead with the scheme, and turn the letter of intent of September into a firm contract.

The project seems to have acquired a momentum which would take the outright opposition of the IMF or international lender organisations to stop. That is not expected. So by the end of the 1980s Turkey should be one of the few European countries flying locally built jet fighter planes.

D. B.

PROFILE: ARCELIK, the country's leading white goods manufacturer

Only the strong survive

IT IS a gloomy tale that Mr Hasan Subasi, general director of Arcelik—the "c" pronounced "ch" as in Koc, to which group the firm belongs—has to tell. Yes, he has 52 per cent of Turkey's refrigerator market. Yes too, he provides 75 per cent of the country's washing machines. But the first market has been shrinking continuously for five years and sales are a mere half their 1978 level. And the second is only two thirds the size it was.

Little wonder that profits slumped last year to a mere tenth of what they had been in 1981. This year sales have been so poor that on November 1 he had to close the doors of his major Eskisehir fridge plant. He hopes to open again in mid-January.

Of course, when the largest company in a sector finds the going rough, smaller ones are likely to find it impossible. In this case before the recession began there were five companies jockeying for a place in the refrigerator market. Today only the two largest appear to have survived. It is a pattern found time and time again on the face of Turkish industry.

In the case of refrigerators the first company to go was Temal, which had the Prestcold licence. Next to have problems was Presiz, though this was long kept afloat by the Turkiye Is Bankasi, the country's largest bank, which took over ownership of the company.

Then Estas, which had the Philips licence, had to shut its doors, though may possibly reopen now that it too has found new owners. Now only Profilo, which uses AEG's name, and Arcelik have their heads clearly above the water. Yet Profilo too had to stop refrigerator production in November as stocks had got too high.

There is another reason why Mr Subasi should be gloomy. Turkey has only 8.5m households with electricity, and 6m refrigerators have been sold in the country. "It has reached a sort of saturation," he says, and the saturation is all the more evident now that few new apartments are being built. Yet for all this there is little sense of anxiety in the plans he is making for the future.

One of these involves giving Turkey its first dishwasher. The 24 years of experience the firm has had in making household appliances means that, except in specialised items such as compressors, where it has a licence from Tecumseh of the U.S., it is no longer interested in formal technical assistance agreements.

It had signed one with U.S. General Electric when it originally decided to go into refrigerator production. It argues that its engineers are far better than outsiders at designing a product to deal with the particular problems of Turkey—water cuts, electricity cuts and voltage variations, and different eating practices, utensils and ingredients.

Mr Subasi is also interested in expanding into kitchen mixers, blenders and irons. But his main concern is making sure that as much as possible of his 600,000 fridges per year capacity is used. He recognises that this will depend on the recovery of the economy, but is also keen on building new features into fridges to encourage the replacement market. Then, of course, there are exports.

In 1981 the company earned $16m from exports, mainly from selling 85,000 fridges to Iran and Iraq. This year exports are expected to be around 35,000, but Mr Subasi argues they are more healthily based as they are to a dozen customers and not just the result of two government tenders.

He is confident about the Middle East market, both because Turkey is close and its people are Moslem, and because his fridges are strongly built and better insulated than European ones — and, perforce, better able to deal with the vagaries of water and electricity cuts.

He is also hopeful about selling to West Europe. "I can put a 13 cu.ft, two-door fridge on the market in West Germany at a price 8 per cent below the Italians and 22 per cent below Electrolux," he says. But he admits that he will have to change his design concepts.

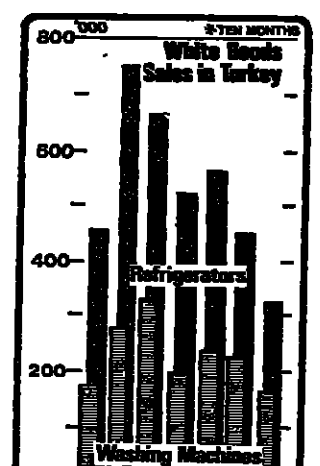
Looking ahead, Mr Subasi says he is confident. In the first place he believes that the present stability in the country will continue as Turkey comes under increasingly civilian rule. Nor is he frightened of the prospect of renewed union activity.

A 42-year-old mechanical engineer who has spent almost all the past 13 years at Arcelik's plant at Cayirova, an hour's drive south-east of Istanbul along the Gulf of Izmir, he remembers well the bitter strikes which hit the plant in 1977 and 1980. The second strike lasted 5½ months and only ended with the coup.

But today Mr Subasi argues that he prefers to have a union with which he can have a dialogue rather than not to know the workers' mood.

However, he accepts that he is likely to have some severe pressure for wage increases following four years in which wages have risen substantially less than inflation.

So, what are his problems? The answers are those to be heard from almost every factory manager in the country.



- Inadequate electric supplies.
- No standard control over his suppliers. The authorities only subject his final products to quality control, meaning he ends up responsible for any substandard items supplied to him.
- The unpredictability of his state suppliers, Petkim and Eregli. He has to pay a 15 per cent fee in advance of orders, yet when the delivery date comes he may suddenly be told no goods are available. He cannot impose any penalty clause on the companies, but instead finds himself having to go through the lengthy process of importing. Which means keeping up to three months' stocks of many raw materials.
- The heavy cost of debt. With bank credit costing over 60 per cent per year, financing charges in 1982 amounted to 16 per cent of gross sales revenue.

It is also a charge which, inevitably, Arcelik passes on to every single one of its customers.

David Tonge

Tips for the traveller

FLIGHTS: Planes in and out of Turkey can be heavily booked. Turkish airlines runs a wide local network with frequent flights, in particular between Istanbul and Ankara. You may lose your seat if you arrive less than 20 minutes before departure. Fog can disrupt winter travel.

TRAINS: The night sleeper between Istanbul and Ankara *may* have few hints of the one-time opulence of the Orient Express, but is pleasant, reliable, and usually not greatly delayed.

TAXIS: Meters have been imposed on the taxi owners of Ankara and *most of those* in Istanbul. It is best to use such taxis, distinguishable by the blue and white sign on their windows saying "Taksimetrelidir."

Telephones and telex

Istanbul this year went from sixes to sevens in that the authorities suddenly put one new digit in front of the existing six-digit numbers. Those with contact books need to make the following adjustments: numbers in old Istanbul—these beginning with the numbers 20-28 or 70-84—should have the digit 5 put in front of them. For the rest of the European side of *Istanbul*—40-50 and 60-69—add 1 in front. For the Asian side —30-39 and 51-59—add 3.

Patience is needed in waiting for a line in order to dial local calls. Direct dialling abroad is available from private *numbers, some* Istanbul hotel rooms and all hotel switchboards. Sometimes it is necessary to go through the Post Office operator which can cause delays of 30-60 minutes.

Telex lines are usually good *but can break down* for up to 24 hours. New telephones and telexes can take months to instal.

Istanbul

HOTELS: The three leading centrally-located hotels are the Hilton (telephone 1467050, telex 22379), which has good facilities but less satisfactory telephones; the Marmara Etap (1448850, 24137); and, perhaps the best, the Sheraton (1489000, 22729). Businessmen can usually arrange discounts through their companies.

The Divan (1464030) is also good, with fine Turkish food. Also recommended are the Etap (1452230) and the historic Pera Palas (1452230), where Ataturk, Agatha Christie, and Kim Philby stayed. Those with time on their *side may prefer to stay* up the Bosphorus at the Grand Tarabya (1621000, 26203) and Yenikoy Carlton (1621020, 26260).

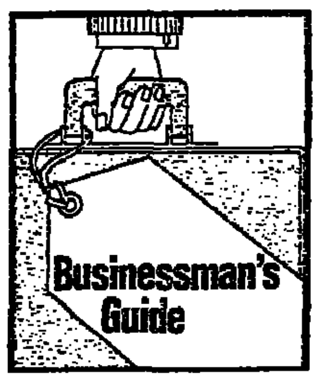
RESTAURANTS: Turkish cuisine is one of the world's best and Istanbul offers some fine restaurants. *The city is* famous for its fish. Newcomers are advised to consult friends (and waiters) as to what fish is in season. In town, good food is to be had at Pandelis (5225534—lunch only), Liman (1441033), the Four Seasons (1458941) and Borsa (5224173), one of the last bastions of Ottoman food. Lunch under the Galata end of the Galata Bridge is a delight when the weather is good.

At night best is to go up the Bosphorus to places such as Yeni Bebek, Surreya or Facy. The adventurous may like to try the hors d'oeuvres, raki and fish in the formerly Armenian quarter of Kumkapi.

CONTACTS: The foreign consulates have commercial officers who can give initial advice, as can Tusiad, the Turkish Businessmen's Association (telephone 1462414) headed by Mr Ali Kocman, and its rival, Tisk, the Turkish Employers Confederation (telephone 1456908), headed by Mr Halit Narin.

Bodies such as the Turko-British Chamber of Commerce (1490658) under Mr Ilter Koral can assist, as can Mr Norman Covey (1451793), formerly of the Chamber and the Financial Times.

The Istanbul Chamber of Industry (1454130) under Mr Nurullah Gezgin says it can advise on the legal and practical framework for investors. A new body is Yased, the association for foreign capital co-ordination, which discusses the problems of existing investors and can help *newcomers (1501427,* Mr Erdogan Karakoyunlu). Arthur Andersen's Mr Turhan Yetkin, 1664900, will give solid advice



on the tax regime and accountancy practice.

American Express (1411439), Citibank (1414300) and the Ottoman Bank (1455020) are among the foreign banks in town, whiles the Turkish Industrial Development Bank, Turkiye Sinai Kalkinma Bankasi (1431360), specialises in industry. There are a number of professional bodies such as the Automotive Industry Association (1609988, Mr Muhsin Yildirim).

Other foreign banks with branches in Istanbul are: the Arab-Turk Bank, Holantse Bank, Banco di Roma, Bank Mellat, BCCI, Turk Bankasi and Bank Habib.

Chase Manhattan and First National Bank of Boston have applied to start banking operations in Turkey. Bankers Trust has applied to open a representative office. Deutsche Bank and Dresdner Bank are among the foreign banks already with representative offices.

PASTIMES: Istanbul is a delight. Make sure you have at least a weekend to nibble at its fringes. Astride two continents and seat of the Byzantine and Ottoman empires, it is a unique mixture of fading grandeur and vigorous present.

Take a leisurely boat ride up the Bosphorus or to the Princes' Islands where Trotsky once lived. The covered market is a unique experience. The *monuments around the Sultans'* Topkapi Palace, the Blue Mosque and Sanata Sophia should not be missed.

Ankara

HOTELS: The Grand Ankara Hotel (telephone 171106, telex 42398) remains the best hotel in the city — and a useful place to meet other businessmen. Other centrally placed and clean hotels include: Dedeman (171100, 42408), Mola (183140, 42294) and Tunali (278100, 42142), but eat out.

RESTAURANTS: The Kristal (telephone 171260) is probably the best restaurant in town, offering Turkish and European food. Prices are relatively cheap, with a meal and wine for two costing around £16. Ataturk Orman Ciftligi Lokantasi (233230) has excellent Turkish *cuisine and is 30 pleasant* minutes' drive from town at Ataturk's Farm.

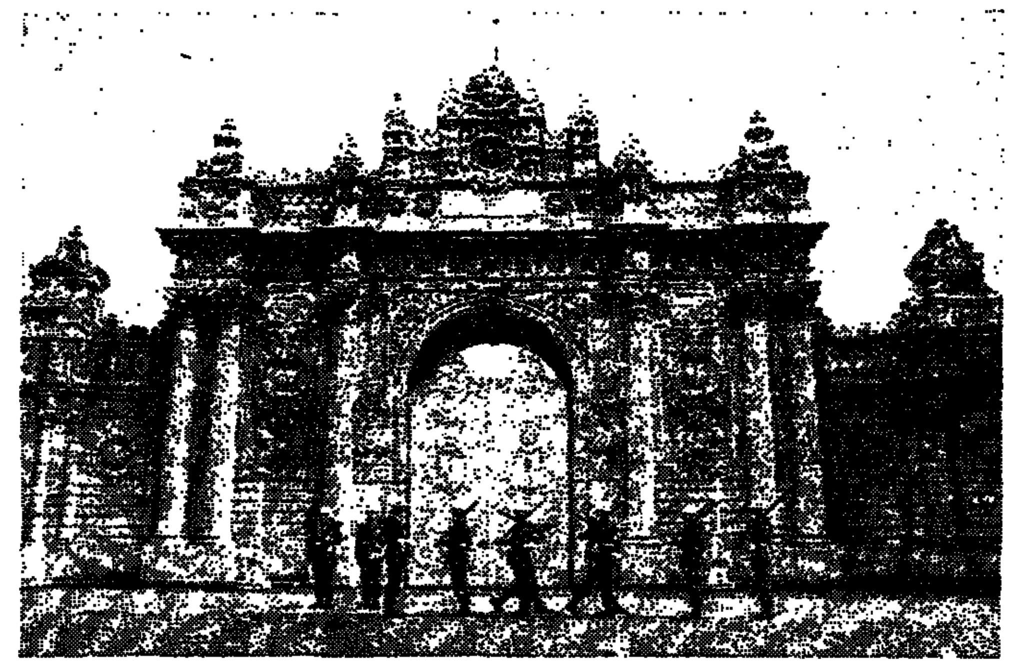
Surprisingly, fish is to be recommended in Ankara. Other restaurants for business lunches or dinners are the RV (270365), Kral Ciftligi (275087), Yakamoz (183588 — also offering violins), Liman (302725) and Rihtim (272432).

CONTACTS: Civil servants and even ministers are relatively accessible once they are convinced the visitor is serious. Two bodies worth contacting are the Foreign Capital Department (telephone 298421) and the Central Bank, whose foreign exchange department is headed by Mr Zekeriya Yildirim (298421).

The major countries have useful commercial sections. The EEC office head is Mr Gwyn Morgan (276145/6). The Turkish Union of Chambers of Industry and Commerce is an influential body, worth having on one's side: its current head is Mr Mehmet Yazar (257600).

PASTIMES: Ankara is a real capital city but is no beauty. In winter those with lung problems should steer clear. The Museum of Anatolian Civilisations is a must, while the Mausoleum where Ataturk, founder of modern Turkey, is buried, is worth seeing to gauge the status he now has.

D. T.



Terry Kirk

Changing the guard at Dolmabahce Palace, Istanbul, death place of Kemal Ataturk, hero of Turkey's independence struggle and mentor of the generals ruling Turkey today

Terry Kirk

The New Mosque in Eminonu Square, Istanbul, one of the city's *tourist attractions*

How to find out the facts

TURKEY IS a relatively well documented country by Middle Eastern standards but finding out key facts can still take time unless one knows one's way around the basic handbooks.

Poyraz of Istanbul have been publishing a major companies of Turkey directory which is still the best place in which to look up details of firms, though there is too much concentration on Istanbul and by no means everybody is included.

The State Institute of Statistics publishes an annual yearbook of statistics, but its figures are often out of date. There is also a smaller pocket version.

For ready reference most businessmen would rely on the handy "Economic Indicators of Turkey" published each summer by the Turkiye Is Bankasi. The Is Bankasi and the Yapi Kredi Bankasi both publish regular economic reports, but reporting of industrial output tends to concentrate on long-established stable products, usually from the public sector.

Monthly or quarterly data on GNP and industrial output are not easy to get hold of. Worst of all are figures on farming. With the exception of a *few* expert-oriented crops, like cotton, regular up-to-date statistics are never available.

The *Chambers* of Trade and Industry publish regular reports and the Istanbul Chamber of Industry is a major source of price statistics. Government bodies such as the Ministry of Finance publish monthly indicators, but usually only of a macroeconomic kind.

A sad decline in the quality of what used to be one of the most useful source books on Turkish business, the annual Tusiad report, must be regretfully recorded. Once one of the broadest and most useful surveys the most recent Tusiad reports have been much less comprehensively prepared than their predecessors.

Finally the most useful compendium of names and addresses as well as facts and figures is the Turkish Daily News annual almanac, published in May. It includes profiles of leading politicians, some officially inspired accounts of Turkey's view on such matters as the Armenian question, a reasonable cross-sample of key statistics, and a wealth of business addresses and telephone numbers.

Influential role in nation's life

Business chambers

DAVID BARCHARD

WHEN TURKEY'S return to parliamentary rule began to loom on the horizon last year and speculation revived about the leaders of possible new political parties, one of the first names to come to mind was that of Mr Mehmet Yazar, the President of the Turkish Union of Chambers of Industry and Commerce.

This was a tribute to the continuous importance of the Chambers in Turkish national life. The former deputy prime minister, Mr Necmettin Erbakan, first surfaced on the national political scene as president of the union in the late 1960s (only to be promptly deposed by the then prime minister, Mr Suleyman Demirel).

Membership of the chambers *is compulsory for all business*men and industrialists and strictly enforced. As a result, the major chambers (Istanbul, Ankara, Izmir, and to a lesser extent Eskisehir) are probably the most influential lobby groups in Turkey. The Istanbul Chamber of Commerce's figures on prices are often regarded as a more reliable indicator of inflation than those of the Trade Ministry itself.

There are eight chambers of industry; 54 chambers of commerce; 140 chambers of industry and commerce; and 52 commodity exchanges across the country. It is no secret that they were once the main network of political influence and *patronage for* the now-banned Justice Party. Mr Ozal has yet to establish a comparable dominance.

There are many divisions in the Turkish business world (between large and small scale *producers,* between eastern, western, and Black Sea interests; between export oriented companies and those relying on the internal market). These divisions threatened to pull the business community apart a decade ago but now seem to have settled down. The present chairman, Mr Mehmet Yazar, has had a fairly easy ride. He comes from the Istanbul - based pump machinery manufacturer, Yazar Pompa.

However the divisions of the 1960s and 1970s mean that the Union of Chambers today has to contend not only with a degree of internal conflict, but also with powerful other pressure groups claiming to speak on behalf of business.

One of these is Tusiad, the Association of Turkish Industrialists and Businessmen. It does not have the entrenched legal status enjoyed by the chambers and only 228 members, all private individuals. But outside *Turkey it has probably* become a much better known voice, speaking largely on behalf of the large Istanbul-based industrial groups and for exporters of manufactured goods.

TISK, the *Confederation of* Turkish Employers' Unions, has been in relative eclipse since 1980 with the ban on union activity. Its role is likely to grow once again after union freedoms are restored in the new year.

TISK was set up in the 60s as a reaction to the sudden increase in membership of trade unions after 1964. Its chief, Mr Halit Narin, was a vocal opponent of the left before 1980 and enjoyed a seat in the Consultative Assembly. However, an early return to union militancy is not expected and the issues confronting Turkish businessmen today have less to do with labour relations than with economic strategy.

This could mean that another leading ginger group of the late 1970s, MESS (the Union of Metal Industries Employers) will not return to the prominence it enjoyed then. A fierce opponent of militant unionism its aggressiveness sent shivers down the spines of some foreign nationals working in top management positions in Istanbul. *Yet it was from MESS that* Mr Turgut Ozal emerged in late 1979 to become head of the State Planning Organisation.

All the organisations mentioned above came into being within the context of Turkey's semi-corporatist and highly bureaucratic governmental tradition, inherited from the Ottoman Empire, according to which different social groups are expected to organise themselves and engage in dialogue with the government which then harmonises their interests.

This is still the spirit in which Turk-Is, the main permitted trade union confederation, works. Yet the logic of Mr Ozal's doctrines implies that Turkey's tradition of settling problems through government decisions reached after wheedling and pleading by the interest groups concerned will eventually be replaced by a less corporatist system in which market forces resolve what are at present political decisions.